

MINUTES

Monday, June 1, 2009



Fiscal Committee

5:35 p.m.
Carnegie Town Hall
235 W. 10th Street

Members Present: Committee Chair Gerald Beninga, Vernon Brown, J. Pat Costello

Staff Present: Debra A. Owen, City Clerk; Tamara Jorgensen, Assistant City Clerk

Guests: Eugene Rowenhorst, Director of Finance; Greg Jamison, City Council Member; De Knudson, City Council Member; Rich Oksol, Lead Internal Auditor; Bob O'Connell, Sioux Falls Chamber; Slater Barr, Sioux Falls Development Foundation; Steve Van Buskirk, Van Buskirk Company; Mark C. Weber, Citizen; and Jonathan Ellis, Sioux Falls Argus Leader.

1. Call To Order

Beninga called the meeting to order at 5:35 p.m.

2. Approval of Minutes

A motion was made by Brown and seconded by Costello to approve the minutes from Monday, May 4, 2009. Beninga called for a voice vote on the motion and all members voted yes. **Motion Passed.**

3. Reports and Updates

A. Community Forum Assignments

Discretionary Formula for Real Estate Taxes was heard at this time. See item for details.

- Strategic Economic Plan
 - Slater Barr distributed copies of the following documents to the committee: Memo: City of Sioux Falls payment schedule for Forward Sioux Falls V investment; Memo: Community-Wide Strategic Planning (including Market Street Services Proposal and proposed schedule); Booklet: Economic Development Strategy.
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- Barr discussed current projects (and prior experiences) using the following analytical tools to enhance economic development:
 - Competitive assessments;
 - Demographic/social trends;
 - Focus groups;
 - “One on One” surveys;
 - Interviews with community leaders;
 - Online surveys;
 - Website set up for public input/response
- The final analysis will produce a short list of defined targets and detailed information on each of the following profiles:
 - Current competitive position
 - Sector outlook and diversification potential
 - Workforce requirements and enhancements;
 - Regional assets and networks;
 - Final challenge and opportunities.
- Discussion was held regarding the timeline for the Economic Development Strategy and they would like to start the process in September, 2009 with a completion date at the end of 2010.
- Discussion was held regarding the outcome, the measurable goals, and the action plan needed.
- Barr discussed the Sioux Falls community’s present and future potential and how this next step would accelerate moving the community forward. Examples given were: the University Center, the ongoing medical research activity; the downtown projects, etc. These knowledge based examples would produce higher income jobs that would stay in this community.
- Barr stated he would like to continue informing the City Council about this process and stated that he has received positive responses from both the Mayor and the Director of Planning. He stated that setting up a ‘steering committee’ was crucial to the success of this plan and that they would like to do this within the next 30 days.
- Greg Jamison, City Council, encouraged Barr to continue communicating with the City Council regarding the funding discussions. Some funding discussions have already occurred with the Administration and Jamison noted that funding may need to happen for this process to move forward for the good of the community.

- Costello stated that he would have a conversation with Council Chair Litz and then he would follow up with a meeting with Mayor Munson. Costello stated he would send an email to the rest of the City Council regarding the outcome of the meeting.

- Discretionary Formula for Real Estate Taxes

The following points were discussed at the meeting:

- Van Buskirk gave an update was given on real estate tax mill levies and the discretionary formulas used for determining tax rates on properties.
- Various businesses in Sioux Falls have used the tax benefit to help their businesses (First Premier, Midcontinent Communications, J and L Harley, check processing places, etc.).
- There are variations of the tax discretionary formula used nationwide – some areas have ‘steps’ for each year and the years can vary from three years to five in duration.
- Tax abatements could be used to stimulate the economy and bring in construction and other related jobs.
- At the time of this meeting, representatives from the area school districts are meeting to see if their budgets would allow participation in tax abatement programs.
- Slater Barr discussed his knowledge and experience of other states using abatements as a sales tool and that Georgia had used it for larger industrial projects. To become competitive with other neighboring communities, they had a 10 year series of tax abatements to bring in new businesses.
- Barr continued with stating that the communities did a fiscal impact analysis to look at the impact of revenue on local markets.
- Discussion was held regarding the needs or demand for developer lots; the current construction rates; the timeline and sunset clauses for tax programs.
- Discussion was held regarding construction permits and values of non – profit groups and their recent construction activity.

- Costello asked if the Chamber or if the Development Foundation ‘tax issues committees’ had been doing any research on these areas.
- Barr and Van Buskirk stated they would be meeting with the local county representatives to determine their needs and receive their input.
- Beninga asked Barr and Van Buskirk to provide the Fiscal Committee with additional information gained from their meetings with the county and school board officials. Beninga stated the Fiscal Committee is looking for long range goals for supporting the economic development in the community.
- Discussion was held regarding including this topic at a future ‘Breakfast Club Meeting’ but that is on hold for now pending receipt of additional information and discussion.

B. Internal Audit Committee Reporting Structure

Beninga started the discussion by stating the following points:

- Recent internal conversations among the City Council members resulted in a need to ensure that the reporting structure for the Internal Audit Committee continue to maintain independence and the perception of independence.
- Beninga and Costello specifically discussed the secondary reporting responsibility of signing of vacation, sick leave, time off documents, etc. currently performed by the City Clerk position.
- Costello stated that there were three options:
 - Leave the process the way it is;
 - Assign it to the Director of Human Resources;
 - Move the responsibility to the Fiscal Committee;
- Costello stated that the Audit Committee has stressed the following points:
 - They do not want the responsibility of trying to interpret or affect city policy on vacation, sick leave, and those kinds of decisions.
 - They want to continue to be able to have access to the City Clerk as a personal resource.
- Lead Internal Auditor Rich Oksol was asked for input regarding the process and he made the following points:

- The City Clerk signs off on receiving reports (ordering supplies) and time off requests.
 - The City Clerk has never inquired as to past or current internal audit activities.
 - Oksol noted that the Administrative branch is more aware of the Internal Audit activities because they have internal communications when an Audit is being performed.
 - Oksol stated that an organizational chart illustrating a ‘dotted line’ connection to the Human Resource Department would not create an appearance of independence.
 - Oksol cited examples of other cities who have Internal Auditors that report either directly to City Councils or to Audit Committees which are under the legislative branches.
 - “If it’s not broken, why fix it?”
 - Oksol distributed a copy of correspondence from a negative situation that developed in San Diego. The report is from a city council member to the remaining city council members and illustrates a situation that developed when the internal auditors reported directly to administration. Discussion followed.
- At the request of committee member Costello, Owen distributed and discussed information regarding the history and background of starting the internal audit process:
 - Review of the State Auditor General’s report to Council when Council asked the State to look into a well the Phillips to the Falls issue. The report stated the internal audit was to be independent of the administration (*not the Council*). Recently, there has been a misperception concerning the term independent.
 - Review of the State Auditor’s report also included that the majority of the Audit Committee should be the Council. Currently, the Committee is comprised of a majority of citizens. There are three external members and two internal (City Council) members. Costello noted that this was ‘inverted’ – that most memberships illustrate the majority as being Council Members and the minority of two external members.
 - Owen gave insight from the past City Council members who were active in setting up the Audit Committee and the responsibilities. The secondary reporting tier was designed because the Audit Committee members are part time and are not here all the time. The signature process is minor function performed by the City Clerk which could be transferred to the Council Chair if needed.

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- The City Clerk position does not effect or participate in any of the audit activities.
- Highlighted information from the Eide Bailly report stated: “The city form an audit committee separate from management and that more authority be granted to the internal auditors to implement more internal control policies and procedures”.
- Brown stated that, for consistency’s sake, the Chairs change out every year and it could become difficult to report to a different person every year. He also noted that internal staff would be more aware of the vacation and time off policies and procedures than the Chair signing the documents.
- Beninga stated that it may be possible for the Internal Auditors / Audit Committee to report to the Fiscal Committee.
- Costello asked if any changes were going to be brought forward or changed at the next Fiscal Committee Meeting. Beninga responded that he would like to review all of the information that was distributed at the meeting.

4. Open Discussion

There was none.

5. Adjournment

A motion was made by Brown and seconded by Costello to adjourn the meeting at 6:42 p.m. Beninga called for a voice vote on the motion and all members voted yes. **Motion passed.**

Tamara Jorgensen, CMC
Assistant City Clerk