

**CITY OF EL PASO, TEXAS
REQUEST FOR COUNCIL ACTION (RCA)**

DEPARTMENT: Financial and Administrative Services
AGENDA DATE: October 13, 2009
CONTACT PERSON/PHONE: Carmen Arrieta-Candelaria, Chief Financial Officer, 541-4293
DISTRICT(S) AFFECTED: All

SUBJECT:

Formal report of the Fiscal Affairs and Management Support/Internal Audit Legislative Review Committee meeting held on September 24, 2009, at 1:00 p.m. in Council Chambers. The report is being submitted by LRC Chair, Representative Rachel Quintana.

BACKGROUND / DISCUSSION:

The following items were on the agenda:

1. Discussion and action on the approval of the Minutes for the Fiscal Affairs & Management Support/Internal Audit LRC meetings of April 30, 2009 and May 7, 2009.
2. Discussion and action on Kronos equipment regarding El Paso Police Department and Fire Department employees.
3. Discussion and action of the 2009-2010 Audit Plan.
4. Discussion and action on the City's Debt Management Policy.
5. Discussion and action on the City's Investment Policy.
6. Discussion on a proposal to change the City's Fiscal Year End.

Attached is the formal report of the discussion and action, if applicable, on each of the items on the agenda.

PRIOR COUNCIL ACTION:

N/A

AMOUNT AND SOURCE OF FUNDING:

N/A

BOARD / COMMISSION ACTION:

N/A

*****REQUIRED AUTHORIZATION*****

LEGAL: (if required) _____ **FINANCE:** (if required) _____

DEPARTMENT HEAD: Carmen Arrieta-Candelaria
(Example: if RCA is initiated by Purchasing, client department should sign also)
Information copy to appropriate Deputy City Manager

APPROVED FOR AGENDA:

CITY MANAGER: _____ **DATE:** _____



LEGISLATIVE REVIEW COMMITTEE
Meeting Action Report

Committee: FISCAL AFFAIRS and MANAGEMENT SUPPORT/INTERNAL
AUDIT LRC

Members: Representative Rachel Quintana (Chair)
Representative Steve Ortega
Representative Carl Robinson
Representative Ann Morgan Lilly

Staff Assignee: Carmen Arrieta-Candelaria, CFO-Financial Services Department

Meeting Date/Time: Thursday, September 24, 2009 – 1:00 p.m.

1. Discussion and action on the approval of the Minutes for the Fiscal Affairs & Management Support/Internal Audit LRC meetings of April 30, 2009 and May 7, 2009.

Summary: Minutes were presented by the Chair to the Committee.

Action Taken:

Representative Ortega motioned to approve the Minutes as presented. Motion seconded by Representative Robinson. Motion passed unanimously.

2. Discussion and action on Kronos equipment regarding El Paso Police Department and Fire Department employees.

Summary:

Mr. William F. Studer, Jr. Deputy City Manager, introduced the item by indicating that overtime had been reduced by both the Police and Fire Departments. Chief Manuel Chavira, Assistant Fire Chief, represented the Fire Department. Chief Chavira explained the details of how the Fire Department assigns staff and how the department was able to reduce overtime in 2009. Representative Carl Robinson commented and inquired regarding the Fire Department's overtime practices.

Chief Eric Shelton, Assistant Police Chief represented the Police Department. Chief Shelton explained that the decrease in overtime by the police department could not be directly attributed to the elimination of not swiping in Kronos because several other measures were implemented to reduce overtime. Chief Shelton indicated that not only did the Police Department eliminate the use of Kronos at the beginning of the fiscal year but also did away with some operations such as holiday DWI operations and shopping mall patrols.

Representative Carl Robinson inquired about the overtime at the Airport and issues at the Municipal Court. Chief Shelton addressed the questions regarding the police staffing at the Airport and the staffing issues at the Municipal Court.

Action Taken:

There was no action on this item.

3. Discussion and action of the 2009-2010 Audit Plan.

Summary:

Edmundo Calderon, Chief Internal Auditor introduced the 2009-2010 Audit Plan and explained how the Audit Plan was developed. Mr. Calderon explained that he interviews key department personnel such as the City Manager, Deputy City Managers, Department Heads, Deputy Department Heads/Managers, and City Council members to gain insight as to high-risk areas within areas under their control. Mr. Calderon explained the risk assessment process and how risk areas are scored and ranked.

Mr. Calderon explained how available audit hours are calculated. Mr. Calderon explained that when calculating an auditors available audit hours he takes into account holiday, vacation, sick leave, and required continuing education hours each auditor must obtain in order to determine the hours that can be dedicated to audits (Attachment #4). Mr. Calderon stated that his staff consists of seven auditors, including himself, of which five hold the professional certification of Certified Internal Auditor and Certified Governmental Auditing Professional certifications. Mr. Calderon explained contingency hours and how they are used as needed throughout the fiscal year to perform special request reviews.

Mr. Calderon continued to explain the process of compiling and creating the Audit Plan. The Internal Audit Office is beginning its fifth year of service under his management and he has been compiling a list of areas audited the previous four years (Attachment #5). This year the Internal Audit Office will be conducting audits of areas not previously audited. The areas are the Health Department, Hotel Occupancy Tax, Tax Office, and Library. Mr. Calderon explained that there are recurring audits that the Internal Audit conducts and also explained that the office monitors the Ethicsline. Ms. Quintana requested that Mr. Calderon explain what the Ethicsline was about and inquired where audit reports could be located.

Mr. Calderon explained that the Ethicsline was available to employees as an avenue to raise concerns anonymously. The City Managers Office manages GovQA for the public to voice their concerns and these two reporting avenues where separately managed. Mr. Calderon stated that the Internal Audit Office is proactive and performs Ethicsline outreach to employees via email announcements, information posters, wallet-sized information cards, new employee orientation presentations, and at other presentations given to departments.

Representative Robinson inquired how risk areas were ranked using the #1 through #5 indicators. Mr. Calderon explained the process. Representative Robinson also inquired about recommendations given in the audit report and feedback given. Mr. Calderon explained that department heads/managers are asked to provide their input in order to recommend corrective actions that are feasible for the department to implement.

Action Taken:

Representative Ortega motioned to approve the 2009-2010 Audit Plan as presented. Motion seconded by Representative Robinson. Motion passed unanimously.

4. Discussion and action on the City's Debt Management Policy.

Ms. Carmen Arrieta-Candelaria, CFO explained that Section 16.0 of the City's Debt Management Policy required a bi-annual review and that changes be approved by Council. The last review was performed on November 13, 2007. She explained that the proposed changes were needed to strengthen the policy and assure creditors that the City was reviewing its debt management program.

Ms. Arrieta-Candelaria explained that the length of debt issuance was not to exceed the useful life of the asset being purchased. She explained that the City would not issue a 20-year note on a vehicle that has a useful life of five years, but that it would issue a 20-year note on an asset, such as a building, that had a useful life of 50 years.

Ms. Arrieta-Candelaria explained the selection of Bond Counsel. Representative Quintana presented a question of the rates charged by the City's Bond Counsel. Mr. William F. Studer, Jr. Deputy City Manager explained that the services of the Bond Counsel for the current offering of \$800,000.00 of debt would be roughly \$100,000.00. Both Ms. Arrieta-Candelaria and Mr. Studer explained that the Counsel fee varied depending on the amount of debt and the complexity of the transaction. Representative Quintana requested a range of fees previously charged by the City's Bond Counsel. Mr. Studer agreed to provide a list of fees.

Action Taken:

Representative Ortega motioned to approve the changes to the City's Debt Management Policy as presented. Motion seconded by Representative Robinson. Motion passed unanimously.

5. Discussion and action on the City's Investment Policy.

Ms. Carmen Arrieta-Candelaria, CFO explained that changes to the investment policy must be first approved by the LRC and then approved by City Council. She explained that Mr. Studer's title had been changed to Deputy City Manager for Finance and Public Safety and this change needed to be reflected in Section 4.4 of the Investment Policy. Language was added to Section 6.5 and an additional section was created.

Action Taken:

Representative Ortega motioned to approve the changes to the City's Investment Policy as presented. Motion seconded by Representative Robinson. Motion passed unanimously.

6. Discussion on a proposal to change the City's Fiscal Year End.

Ms. Carmen Arrieta-Candelaria, CFO stated that the current City fiscal year begins September 1 through August 31. She stated that Section 7.1 of the City Charter allowed the changing of the fiscal year through approval of an ordinance to end on September 30 instead of August 31. She proceeded to explain the various benefits for the change.

The September 30 fiscal year end date would coincide with State, Federal, and other large Texas municipalities. Ms. Arrieta-Candelaria stated that of the eight largest municipalities in Texas, which includes the City of El Paso, five currently have a fiscal year end date of September 30. Ms. Arrieta-Candelaria explained that a change in the year end would provide the City more time to set the effective tax. The tax rate deadline could be extended by a month which would allow the City to obtain a completed certified tax roll instead of relying on an estimated tax roll as it currently does. In addition, the September 30 year end date would align calendar quarters with fiscal quarters which would coincide with many industries the City interacts with that follow a calendar year fiscal year. The proposed change would take effect during the 2011 Fiscal year which would begin on September 1, 2010 and end September 30, 2011 creating a 13-month fiscal year.

This fiscal year end change will result in a decrease of approximately \$10,000,000.00 in the fund balance of the General Fund. The change may also lower the City's credit rating. Mr. David Almonte, Director of the Office of Management and Budget stated that an option to increase the reserves can be to increase the property tax rate and save excess revenues the first year when the fiscal year change occurs and lowering the property taxes the following year. He stated that City Management would need Council's approval by the end of the calendar year in order to begin planning for the change and begin communications with the public and the City's creditors.

Action Taken:

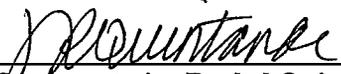
There was no action on this item.

7. Adjournment

Representative Quintana inquired regarding the scheduling of the next Legislative Review Committee (LRC). Ms. Arrieta-Candelaria stated that an LRC meeting was required soon in order to address Municipal Storage. In addition, Representative Quintana inquired if Ms. Arrieta-Candelaria would be ready to discuss the "4/10" work week. Ms. Arrieta-Candelaria stated she would be.

Representative Quintana mentioned that all LRC members were present at 2:00 p.m. when the meeting adjourned.

Submitted by:



City Representative Rachel Quintana, District 5
Chair, Fiscal Affairs and Management
Support/Internal Audit



Carmen Arrieta-Candelaria, CFO
Financial Services Department