WORK SESSION AGENDA
WYOMING CITY COUNCIL MEETING
CITY COUNCIL CHAMBERS

Monday, November 10, 2014, 7:00 P.M.

1) **Call to Order**

2) **Student Recognition**

3) **Public Comment on Agenda Items (3 minute limit per person)**

4) **Mid-Year Sewer Rate Adjustment**

5) **City Comptroller and Internal Audit Proposal**

6) **Any Other Matters**

7) **Acknowledgement of Visitors/Public Comment (3 minute limit per person)**

MEMORANDUM

DATE: November 5, 2014

TO: Curtis L. Holt, City Manager

FROM: William D. Dooley, Director of Public Works

SUBJECT: Sewer Fund Discussion

During our budget discussions with the City Council this past spring, we re-emphasized the four parameters that guide Wyoming's water and sewer financing decisions:

1. Maintaining a minimum working capital balance (90-day O&M and debt service)
2. Maintaining a minimum bond coverage (net revenue > 1.25 debt service)
3. Maintaining modest annual rate adjustments (approximately 3% per year overall)
4. Maintaining infrastructure replacement and expansion (> $100 million in the next 25 years)

We also identified how Wyoming planned to address these four parameters for the next seven years.

1. The working capital balance would be maintained above the $4.1 million minimum.
2. The bond coverage (debt service coverage ratio) would be increased each year from a projected low of 0.91 in 2014 to 1.58 in 2021, by lowering the water rates and raising only the sewer rates. This would allow Wyoming to reach the minimum required ratio of 1.25 in FY 2018.
3. The water and sewer rate would be increased approximately 3% per year overall.
4. Wyoming would continue to pursue its long range infrastructure replacement plans.

While these plans were reasonable and sustainable, they did not fulfill the bond coverage requirement for fiscal years 2015, 2016, and 2017. Wyoming has been subsequently advised to take immediate steps to raise the debt service coverage ratio to 1.25 or above for the current (2015) and following fiscal years. We are preparing a recommendation for how best to accomplish this while minimizing any negative impacts to our sewer customers.

We would like to discuss this information with the City Council at their November study session. If the City Council agrees with our recommendation, we will prepare the necessary resolution for their approval in December.

MEMORANDUM

TO: Mayor and City Councilmembers

FROM: Curtis Holt, City Manager

SUBJECT: Internal Auditing and Comptroller Position

DATE: November 4, 2014

Several months ago the City Council discussed the reimplementation of the Comptroller position as outlined by the City Charter. Although the Charter does not specify the duties of the Comptroller position, it was determined that it would be appropriate to appoint the Comptroller position and then contract with an independent accounting firm to perform various directed reviews of City Policies and practices and report on those reviews directly to the City Council.

I have attached for your review a copy of a proposed resolution that appoints the City Manager as Comptroller for the City of Wyoming. This would meet the integrity of the City Charter, as it allows for the Comptroller position to be combined with another administrative position. The Charter also requires that this position report directly to the Council, which I do at this time. Therefore, no other action would be required as part of the Charter requirements.

The City Council also expressed an interest in contracting with an independent accounting firm to provide internal auditing reviews of various City operations and then report directly to the City Council. I reviewed proposals for eight (8) separate accounting firms and have determined that the firm of Vredeveld Haefner LLC can provide experienced and independent expertise to our financial systems.

Our new Finance Director, Bob Luders, and I have had several discussions about where this process should start and we have determined that the best place to start is in the Finance Department. Mr. Luders and I have discussed concerns regarding a lack of institutional knowledge regarding budget preparation, investment practices, cash flow projections, and other processes.

I recommend we engage Vredeveld Haefner in a not to exceed contract to forensically review past practices and make recommendations for future practices and processes. In essence, the firm would help us establish a new business model for the Finance Department. In the past, I have discussed this type of review with previous Finance Directors and was told it was not necessary. Mr. Luders and I are in agreement that this type of review is appropriate and necessary.

In addition, I recommend that we also engage Vredeveld Haefner to assist us with budget preparation. Once again, the additional accounting knowledge will assist us in providing a new baseline and model for distribution of various costs, appropriate determination of administrative allocations and subsequently the spreading of the allocations across funds. We will also ask them to do a full review of our insurance costs to make recommendations with regards to proper allocations and fund balance levels.

I have asked Vredeveld Haefner to provide me with the attached proposal with a not to exceed cost of $40,000 for this work. It will be necessary to also consider a budget amendment for this work, but I believe it will provide a more stable and acceptable baseline for the future financial decisions of the City of Wyoming.

JRS/sak

9/2/14

ORDINANCE NO. _____

AN ORDINANCE TO ADD SECTIONS 2-56 & 2-57

TO THE CODE OF THE CITY OF WYOMING

THE CITY OF WYOMING ORDAINS:

Section 1. That Section 2-56 is hereby added to the Code of the City of Wyoming to read as follows:

Sec. 2-56. Combination of Offices.

The office of comptroller/internal auditor is hereby combined with the office of city manager as authorized in Section 4.6 of the Charter.

Section 2. That Section 2-57 is hereby added to the Code of the City of Wyoming to read as follows:

Sec. 2-57. Internal Audits.

During any period when the office of comptroller/internal auditor is combined with any other city office, quarterly internal audits of specific city accounts or activities shall be performed and audit reports provided to the council.

Section 3. This ordinance shall be in full force and effect on the _____ day of _____, 2014.

I hereby certify that the above-entitled Ordinance was adopted by the City of Wyoming at a _____ session of the City Council held on the _____ day of _____, 2014.

_____

Heidi A. Isakson

Wyoming City Clerk

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November 5, 2014

City of Wyoming
Curtis Holt, Manager
1155 28th Street SW
PO Box 905
Wyoming, MI 49509

Dear Curtis:

Thank you for taking the time to meet with us to further identify the consulting services we can assist you with.

This letter is to confirm our understanding of the terms and objectives of the budgeting project and the nature and limitations of the services we will provide.

We will perform the following services:

- Provide assistance in designing budget procedures for use by the Finance and other City Departments.
- Assist with development of various models for use in budget development.
- Provide direction and assistance in documenting budget procedures, models and related processes.

You agree to; assume all management responsibilities for the services we provide; oversee the services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of the services; and accept responsibility for them.

Peter Haefner is the project partner and is responsible for supervising the project and communicating the results to management. Peter will be performing the bulk of the requested service with the assistance of our staff as necessary to maximize efficiency and effectiveness.

Our fee for these services will be billed at our standard hourly rates plus out-of-pocket costs (such as report reproduction, word processing, postage, travel, copies, telephone, etc.) as detailed in our proposal dated September 11, 2014. Our initial estimate of fees is $40,000. We will provide your staff with weekly updates of project progress and related costs, if significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. In accordance with our firm policies, work may be suspended if your account becomes 45 days or more overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our project will be deemed to have been completed upon written notification of termination. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our consulting project. If you have any questions, please let us know. If you agree with the terms of the project as described in this letter, please sign the enclosed copy and return it to us.

Sincerely,
Vredeveld Haefner LLC

Douglas J. Vredeveld, CPA
Partner

RESPONSE:

This letter correctly sets forth the understanding of the City of Wyoming.

By: _____

Title: _____

Date: _____