

**COMMITTEE ON ACCOUNTS,
ENROLLMENT & REVENUE ADMINISTRATION**

June 10, 1997

5:30 PM

Chairman Elise called the meeting to order.

The Clerk called the roll.

Present: Aldermen Elise, Soucy, Shea, Pariseau, Hirschmann
Alderman Reiniger

Messrs.: A. Gaudreault, M. Hobson, T. Nichols, R. Sherman, S. Tellier

Chairman Elise addressed item 3 of the agenda:

Communication from the Deputy Finance Officer requesting the Board consider issuance of three City policies as follows:

- (a) directing that departments normal purchasing be halted on June 20, 1997 allowing only emergency purchases through June 30, 1997;
- (b) authorizing the Finance Officer to process a check run on June 30, 1997 for payments scheduled for July 15, 1997; and
- (c) establish a threshold on the amount of inventory a department can carry from one year to the next such as setting an upper limit of 1% of the department's operating budget, exclusive of restricted items or 5% of a department's non-salary line items.

Mr. Sherman stated the reason we sent this in...as you all know we are converting from one financial system into another and as recently as 5:15 PM today, we are still actually changing the Chart of Accounts and we have 19 plus days to go here, we're getting down to the end and we're trying to find some procedures that we can follow or processes that we can follow to help alleviate the load going from one system into the other system. The first item that we have and I'll defend the departments to the end in the fact that they do this, but I'm sure that the department's hold their budgets until they know that they don't need the money anymore for any types of emergencies...a blown tire on a car or whatever it may be and come down to the last couple days of the year, they go out and spend the rest of their budgets and stock up on office supplies and that's fine, nobody has a problem with that. What we are asking the Board to ask the departments if they can do that purchasing a week early and what our goal is with that is that we can

get those purchases out, we can get the invoices in and we can get the items actually paid for before the end of the year. It doesn't mean that if they come day to the last day of the year and they need something that we're going to stop them from buying it, we're just trying to get them to go through that process a week or so earlier. Now, the 20th is a Friday and all it means is that they have one week left in the fiscal year because you end up hitting a weekend with the end of the month. Granted June 30th is on a Monday, but we're just asking the departments if they can do it and all of the department's that I have talked with, with the exception of the School Department didn't seem to have a problem of trying to do that and again, it's not to stop them from spending, it's just to move the process along because if they don't do that what happens is we'll get all these purchase orders in on the 27th or the 30th and we're going to have to turn around, put the payment vouchers in the HTE system and we're going to have to actually put this stuff in twice and then carry the payment vouchers and what we would like to do is to get the purchase orders in.

On motion of Alderman Pariseau, duly seconded by Alderman Shea, it was voted to recommend to the Board the establishment of policies (a) and (b).

Mr. Sherman stated I would like to address item (c) as that is an issue. What this system has the ability to do is to allow department's to carry an inventory. When they go out and buy something right now, they automatically charge their budgets. So, again, at the end of the year that is why they rush out and they stockpile, so they can carry the item, but they actually charge their budget. What this system will allow them to do is, for example the School Department - they go out and buy boxes and boxes of paper and they end up charging it to their budget even though they're not going to use it till the next year. So, what this would allow them to do is actually go through and rather than charge their budget would allow them to carry an inventory and then when they pull those items out of inventory, it will then hit their budget. We have problems, a lot of this happens with the Highway Department where they'll go out and buy all the stuff they need to do street reconstruction and they actually have to charge their budget even though maybe the CIP project may not start until July because it's in the next fiscal year and then what they do is go back and they buy the stuff from themselves and you've got checks going back and forth and invoices going back and forth. We think it's a good business practice to let the department's have an inventory, it's obviously more efficient to do it that way, but our concern is that if the Board doesn't set some type of policy on the amount of inventory that a department can carry and we'll pick on Frank because he's not here, he can go out and stockpile \$500,000 worth of salt in July or in June because it's not going to hit his budget and I don't have a problem with Frank having salt on-hand, but that's \$500,000 in cash that we no longer have working for you. So, we want to be able to restrict it to some

regard on the amount that they can carry, but we think that they should be able to carry something. Now, these were just a couple of ideas I just threw out. Absolutely no rhyme or reason to them except what it tended to do was it kept the overall inventory at around a million dollars. So, if you take one percent of the overall City budgets, it gets you around a million dollars and I'm not talking benefits, this is just the dollars that the departments control. The concern by some of the departments is well, one percent isn't a lot of our budgets, so maybe we want to look at 5% of our line items and for some they might like one better than the other one. If you do 5% of the line items, you may end up right around the million dollars, but some departments win and some departments lose. But, you take somebody like Finance who probably won't carry an inventory.

Alderman Hirschmann asked how come you didn't ask us to do this last year.

Mr. Sherman replied because the financial system didn't account for it.

Alderman Hirschmann stated so everybody was on the honor system.

Mr. Sherman stated when they actually bought it, they had to charge their budget. So, they were restricted by how much they could spend and now what we are going to do is say well, here is your budget, here is what you can spend, but you are allowed to carry an inventory above and beyond that of a certain amount. Now, it's really only a one-time...this is a brand new policy. There is only two departments right now that carry an inventory Water Works carries one and EPD carries one, both enterprise funds. Airport and Recreation don't carry them at this point and they probably won't as neither one of them see the real need. EPD carries chemicals for the treatment plant, so they stockpile those and it's like carry salt at Highway. But, those are the types of things you're going to carry and somebody like School will be carrying books, not necessarily books but school supplies and those types of things.

Alderman Hirschmann stated they normally do that anyway.

Mr. Sherman stated School Food & Nutrition they always had food left over at the end of the year. Well, rather than charging that to their budget, they'll just show it as an inventory. But, again, what you don't want them doing is stocking up on truckloads of peanut butter in June because it doesn't hit their budget. So, you want to cap the amount that they can carry.

Alderman Hirschmann asked where did this idea come from, is it your idea.

Mr. Sherman replied, nope. Having a policy. Well, having a policy comes out of the Finance Department. There's no doubt about it because you need to restrict the amount that they are going to have. Carrying an inventory...this is one of the big pushes of the HTE system when the departments are going thru and then you get people like Claire at Highway that are constantly moving money between CIP projects and their operating budget and EPD, they go out and they buy in bulk and then they cost it out to the different jobs. So, what her thing is, if I can buy an inventory and then just draw it out of inventory, I don't have to worry about all of the reimbursements.

Alderman Hirschmann asked which departments are the ones having the problem, is it all of them.

Mr. Sherman asked with either one of these.

Alderman Hirschmann replied with the inventory status problem, is it typically Highway.

Mr. Sherman replied Highway is the one that ends up shuffling things around the most. But, you have departments like the School Department, as well, that buys supplies and sells it to other departments and the same with Diane Prew who buys supplies and sells it to other departments. So, the first time she buys those supplies she ends up charging her budget. Now, if Finance never goes over there and buys paper from her that has hit her budget and she's not using it, okay. Where this method, it would go into an inventory not hit her budget until she actually draws it out to use it for her department. We don't feel any need at this point to have warehouses or anything like that, it would just be the basic department supplies.

Alderman Soucy stated two quick questions. The first one is what happens to the department that has the opportunity to purchase something in bulk, let's say in June. Let's say Highway, we started with that example. Frank gets a deal on salt, it's less than he's ever paid before and it hits June 15th, he finds out he's going to get this wonderful deal on salt, will this policy prohibit departments from doing that or will it impede their ability to...

Mr. Sherman replied right now they can't do it because Frank doesn't have the money at the end of the year in June to do that unless he has some surplus. But, what he would have to do on this is he'd have to say, okay, if I'm getting one percent that means I can carry \$100,000 of inventory and he can say okay depending on what else he may have in stock would probably restrict him unless he wanted to come back to the Committee and get a waiver on it. You could

always have that. Okay, it's going to be one percent of your total budget or five percent whichever of your line items, whichever is higher, whichever is lower, however you want to do it something like that. Just like we have with the travel policy, if you want a waiver from that come back to the Committee.

Alderman Soucy stated in terms of reporting this, their budget line items would remain the same and there would be some separate entry called inventory.

Mr. Sherman replied yes and we'd have everybody's inventory.

Alderman Soucy stated they would be allocating money and just be taking after June 30th whatever material items they have in reserve, estimating the cost of those and that would be considered inventory.

Mr. Sherman replied yes.

Alderman Pariseau asked would central purchasing help eliminate the need for this policy.

Mr. Sherman replied no. Actually, I would think that central purchasing would only enhance the need for it, you'd want it even more because again you're going to want and we have that in some respects if you look at Diane's operation where she buys all the computer supplies and then we all go and buy our items from her. But again, that all hits her budget. So, anything that we haven't bought from her by the end of the year hits her budget.

Alderman Hirschmann stated I just want to say that any inventory that's created among 28 City departments is going to come off of the fund balance because that money would be returned to the taxpayers, so I'm not in favor of doing this because 28 City departments can take up to one percent of their budget and go out and start creating stockpiles of tape and elastics and paperbands and I'm not in favor of doing that.

Alderman Pariseau stated it's limiting them, they do it now.

Chairman Elise asked how does that fit in with central purchasing down the road, will it eliminate them.

Alderman Hirschmann replied we didn't address inventory as far as I know. You're right there are inventories.

Mr. Sherman reiterated you're right, it hits their budget and what this will allow them to do is and again I'll pick on Frank, I go out and spend all \$10 million dollars that I have plus get a hundred thousand dollars on the side.

Alderman Hirschmann stated when June comes around you have a one-hundred thousand dollars in fund balance and you can buy one-hundred thousand dollars or whatever you want and it doesn't go back to the General Fund and then the next year you're asking me for another hundred thousand because your inventory isn't big enough or whatever.

Mr. Sherman stated the hundred thousand would grow as their budgets grow, but it's really a one-time hit because the next year when Frank goes to use that salt and he pulls it out of inventory it now hits his current year budget.

Alderman Hirschmann stated the thing with central purchasing, the way that all of corporate America went, almost everybody is going zero inventory. You have these express cards, the debit cards. If Leo needs something, he's authorized to go down to Staples and get Staples' inventory, he doesn't need an inventory and that's how American is operating business right now.

Mr. Sherman stated most departments I can't envision having an inventory and I would see folks like Highway, PBS obviously would have some, Traffic has a big stock of inventory just the price of stop signs and keeping track of lights and those types of things, Fire would probably have a small inventory and School obviously would have an inventory. Most of your administrative departments...Police would probably have some in ammunition and that kind of stuff.

Chairman Elise stated in terms of budgeting, when we're reviewing the budget the amount in their inventory would be indicated, so from year-to-year if we know how much is in their inventories and how much they are asking for in their budget for different things.

Mr. Sherman stated you could get an inventory by item if you wanted.

Chairman Elise stated that would be control on our part. So, the benefit of this is that it alleviates a lot of documentation...

Mr. Sherman stated it eliminates a lot of shuffling of dollars and money around because like Highway they go and buy all their pipe and everything else they're going to use for doing the streets, they buy it in June and then the CIP projects start in July, so they've got to start going back and they're paying themselves back

and cutting invoices, cutting checks, do deposits, but if they had an inventory they'd just go in and draw out of inventory as they needed it.

Chairman Elise stated there is also a ceiling on this if people do decide that they are not carrying too much inventory and that could be used and invested in other ways.

Mr. Sherman stated if you set the policy, obviously, we would cap them off and report if anybody goes above and beyond it and I would think that is what you would want to monitor and I think you would want to monitor what they're carrying in their inventory at certain points in time.

Chairman Elise asked would this be appropriate to talk about different departments carrying inventory and other not carrying inventory where it would be policy for some departments and not for others.

Mr. Sherman replied we certainly could do that.

Alderman Hirschmann asked how does Water Works do it, how are they different from the Highway Department.

Mr. Sherman replied Water Works is a enterprise fund and just accounting wise the generally accepted practice is that they don't expense anything out until they use it. Unlike a general fund the general practice is when you purchase it, you expense it.

Alderman Soucy stated I was just going to ask if you had any language or suggestions for a waiver provision because the only concern I can see, I see what the problem is and it seems to be a function in part of the fiscal year for a department like Highway. In wintertime, it's not as big an issue, but in the summer when you're doing your construction between June and July and it just so happens that it's a new budget that's a big paper shuffle for them. Any recommendation or suggestion for waiver provisions for say the salt, for example.

Mr. Sherman stated having it built-in instead of having to come back to the Committee.

Alderman Soucy stated conceptually it does make a lot of sense, my only concern is the instance where it was suggested where part of it has an opportunity to save the City a significant amount of money and it makes sense to make this purchase, I don't want to constrict those opportunities.

Mr. Sherman stated all I would suggest is that something like what we have in the travel policy, it says something like if the department head feels that they need to do something above and beyond what's allowed in this policy that they have to come back to the Committee.

Alderman Pariseau stated you don't have enough time to implement (c) do you for this current fiscal year.

Mr. Sherman replied (c) is ready to go and I think Highway and Airport have all of their items in the system, all of the items that they carry as inventory are already keyed in, so as soon as they start using the purchasing system, they can either hit inventory or their budget; that module is ready to go.

Alderman Pariseau asked what is the current policy, there isn't any.

Mr. Sherman replied the current policy is when a department buys something, they charge their budget.

Alderman Pariseau stated if the request was not included in this current budget, they still can go out and buy them.

Mr. Sherman replied they would be able to carry an inventory, this percentage above and beyond.

Alderman Pariseau stated let's take Highway - they were authorized expend \$900,000 on salt, they spent that \$900,000 that was in the budget, they have a cash fund balance in this current budget of say \$600,000 total. Under the proposal, you don't want them to take that \$600,000 and go and buy more salt, but they couldn't anyway, could they.

Mr. Sherman stated they could buy salt up to the one percent cap that you would have.

Alderman Pariseau asked that is with this policy.

Mr. Sherman replied with this policy or some variation of it. Paying one percent for Highway would roughly means about \$100,000.

Alderman Pariseau stated currently they could take that whole \$600,000 and buy salt.

Alderman Soucy stated they would have to do a line item transfer.

Mr. Sherman stated they would have to move some dollars around to accomplish that, and right now they could do that. If they had \$600,000 June 30th and they wanted to do some line item transfers they could move it around and buy \$600,000 in salt.

Alderman Shea asked and the opposite of that is what, Randy. If they have \$600,000 and we don't implement this, what happens.

Mr. Sherman replied they could go out and buy \$600,000 in salt. Now, what this would be it would not let them buy the \$600,000, it would only let them buy \$100,000 because that is all you are going to let them carry in inventory.

Alderman Shea asked what would they do with the rest.

Mr. Sherman replied they would use it for something else, perhaps something that wasn't an inventory item.

Alderman Shea asked how much do we usually get back from the different departments.

Mr. Sherman replied we usually end up with about one percent of the budget back and it will vary from department-to-department. One year we'll get it from Sue Lafond at Welfare and the next year I'll get it from Frank because it was a warm winter.

Alderman Shea stated you can then invest that money.

Mr. Sherman replied yes, the money is always invested.

Alderman Hirschmann asked is it so that they can accrue into the next period, is that what this is about.

Mr. Sherman replied I guess I really don't see it as a big bind to the departments the first year because what they are going to do is they are going to go and take the '97 budget and go and buy whatever they want to, they'll go and spend their whole budget. Then what we are going to do is go in theoretically at midnight on June 30th and take inventory and all we are going to do at that point is to reflect that inventory on the balance sheet, but it doesn't give them any more money to spend in '97, they've already spent their '97 money. Then, when you get into '98, they still have the appropriation that you've given them. Now, as they draw those items out of inventory, that is when we will expense them. So, it's not like they

are going to have that money to spend twice this first time around and actually your concern with the fund balance is when we book that inventory, we are actually going to be increasing the fund balance.

Alderman Shea moved to table item 3(c) for future discussion.

Alderman Pariseau moved to recommend implementation of item 3(c) using one percent of the departments operating budgets.

Mr. Sherman asked Mr. Hobson if one percent would work for them at the School Department; that Mr. Tanguay had concerns.

Mr. Hobson replied from a practical order we are trying to shrink our inventory down below one percent anyway. For your purposes, the biggest issue that we have for inventory is generally School Food. We are trying to draw that down under \$50,000 this year.

Alderman Pariseau asked what happens if these departments have already projected a fund balance at the end of '97 and have already made those provisions to go out and buy that stuff prior to this.

Mr. Sherman replied most of the department, the majority of the departments probably don't have any idea what their inventory is. We may go over to Traffic on June 30th and they may be more than the one percent, what the problem is we don't know what the dollar amount is and we're setting a policy and if it turns out that...

Chairman Elise stated I don't have a problem with this but, Alderman Shea, you would like more information.

Alderman Shea replied, I truly would. I really don't get the whole picture, so if people want it that's okay, take a roll call.

Mr. Sherman stated my only concern is that we're looking at a July 1st date here, it's got to go back to the full Board and that's my concern with delaying it.

Alderman Pariseau stated I'll retract my motion and moved that we deny item 3(c). You need something or you don't need it by July 1st, we're not going to meet again before then.

Alderman Hirschmann moved to second Alderman Pariseau's motion.

Chairman Elise asked is your motion to kill it or review it.

Alderman Pariseau replied Finance can bring it up at the next meeting, I'm just saying to deny it.

Alderman Hirschmann stated this would be a good item to talk about in September and not at the end of the fiscal year.

Chairman Elise stated I don't know if I want to deny it.

Alderman Soucy stated a tabling motion takes precedence and moved to second Alderman Shea's motion to table.

Alderman Pariseau stated just kill it and make it a policy after July 1st of '97 or in FY98.

Alderman Soucy stated it it's tabled then we can find out in the meantime how much inventory we have and then come up with a realistic number.

Chairman Elise asked would it be too hard to find out what the inventory is.

Mr. Sherman replied I don't see that any department is going to make that a priority, I can't believe they don't know what their inventory is, but I don't have one so it's no big deal for me.

Mr. Hobson stated one of the benefits of trying to develop an inventory process is that for those of us who are going to be using the work order system that is in the computer system that it directly attaches to the inventory system, it kind of becomes a moot point unless you develop a concept of inventory management. We just won't be fully maximizing the software and we're going to be using the work order system ourselves and I'm not saying I'm for or against the concept of what's being presented.

Alderman Shea asked could it be done later on like say September. In other words, what is so sacrosanct about June.

Mr. Hobson replied only because I think we were trying to clean up the inventories before carrying them onto the new system and I can do that internally, obviously, without a policy. I think you are trying to develop a process that works with the new computer system, so you can maximize that system.

Chairman Elise called for a vote on the motion. There being none opposed, the motion carried to table item 3(c).

Chairman Elise addressed item 4 of the agenda:

Review of reports from the Board of Assessors.

Mr. Nichols stated on March 7th, we sent to the full Board the tax base would be \$3.644 to \$3.654 with an overlay of \$1.4 million. Now, we're saying it's between \$3.66 to \$3.67 and we've reduced the overlay by \$200,000.

Alderman Shea asked how much does that have on the tax rate.

Mr. Nichols replied it would probably be six to twelve cents.

Mr. Tellier replied six cents.

Alderman Pariseau asked is this in addition to the Wihby plan.

Mr. Tellier replied this is for your information, this is for the full Board of Mayor and Aldermen.

Alderman Soucy asked are there any other highlights that we should know about.

Mr. Tellier replied not really. Just reminding this Committee and the Board that we are going to be requalifying the elderly and that may go down also, it may stay the same, but it may go down also. So, there's good news in the tax base. It's the first time since 1987 or '88 that it's gone up, not down. The overlay continues to go down.

Alderman Pariseau stated I think having you come in here was wise on the Chairman's part. It's really been helpful to understand and I thank Madame Chair.

Mr. Tellier stated we appreciate your support in streamlining the reporting process, the original ones that Finance had asked for were rather lengthy. This is very simple, easy to read, gives you the bottom line figures you folks need.

On motion of Alderman Soucy, duly seconded by Alderman Shea, it was voted to accept the report of the Board of Assessors

TABLED ITEMS

On motion of Alderman Pariseau, duly seconded by Alderman Shea, it was voted to remove item 5 from the table for discussion.

Communication from Mayor Wieczorek requesting the Committee develop recommendations on how to replace the auto registration surcharge revenues in FY98.

(Tabled 5/6/97)

On motion of Alderman Pariseau, duly seconded by Alderman Soucy, it was voted to receive and file and communication from Mayor Wieczorek.

On motion of Alderman Soucy, duly seconded by Alderman Pariseau, it was voted to remove item 6 from the table for discussion.

Ordinance amendment to Chapter 13, Article IV, Section 12-214(b) relative to Housing Code Inspection fees submitted by Alderman Reiniger.

(Note: communication from the Building Commissioner dated May 6, 1997

enclosed.)

(Tabled 2/11/97)

Chairman Elise stated this is an item we have been reviewing for many months and we were awaiting a report from the Building Commissioner regarding hourly rates on this particular issue.

Mr. Gaudreault stated the only problem I find with an hourly rate is that you do inspections and if it takes more than an hour, do you charge them for two hours, charge them for 15 minutes. I think you're better off charging for what you're doing and get it over with. If you want to lower the unit price then I would suggest that you just take the \$10.00 per unit and do it that way and there's less conflicts.

Alderman Soucy asked could Alderman Reiniger address this since the issue involves Mr. Gherlone who is here.

Alderman Reiniger stated Mr. Gherlone has reviewed that tonight, the recommendation, and he agrees that the change to the \$10.00 per unit would be a fair change.

Mr. Gaudreault stated keep in mind that everybody who owns apartments own rooming houses too, they could come back and want the apartments cut down too.

Alderman Pariseau stated whenever it went into effect, we're going to leave it there for a year so everyone is...and whenever the change goes into effect it probably won't be until the 15th of July because it has to go to the full Board.

Mr. Gaudreault stated it has to go to the full Board, public hearing, etc.

Alderman Pariseau stated you're talking then maybe August or September.

On motion of Alderman Pariseau, duly seconded by Alderman Soucy, it was voted to recommend approval of the Building Commissioner's recommendation that the fee for the Certificate of Compliance for rooming units be amended to \$10.00 per unit.

Chairman Elise stated I certainly think that there has been an inequity and it's been existing for a few years and it's been a stumbling block for people wanting to develop rooming houses in the City and it's just another expense for them and I think the \$10.00 fee is something that I can support.

Alderman Shea asked would you have an idea of how much of a difference in revenue that would be.

Mr. Gaudreault replied there is not a whole lot of rooming units in the City, so it wouldn't be that much. But existing, there's not that much.

Review of policies and procedures relative to enactment of zoning ordinance amendments.

(Tabled 9/17/96)

Item 7 remained on the table.

There being no further business to come before the Committee, on motion of Alderman Pariseau, duly seconded by Alderman Soucy, it was voted to adjourn.

A True Record. Attest.

Clerk of Committee