Call to Order at 1:05 p.m.

Committee Members: Pete McCracken, Chair  
Charles Webber, Member  
Maria Bemis, Member  
Julia Lew, Member  
John Longley, Member

Staff Members: John Lollis, Acting Deputy City Manager  
Patrice Hildreth, Deputy City Clerk

Public:None

ORAL COMMUNICATIONS
None

SCHEDULED MATTERS

1. Approval of December 28, 2006 Minutes

Chairman McCracken confirmed that the Committee Members had reviewed the Minutes of December 28, 2006 and that no changes were necessary. The Minutes of December 28, 2006 were approved as submitted.

2. Report on Status of 2005/06 FY Audit

Ms. Bemis updated the Committee on the status of the 2005/2006 FY Audit. She reported that Mr. Pressley, the City Auditor, was still working on the CAFR and that there was likely to be no findings. She stated that Mr. Pressley was currently in Modesto and was available via conference call should the Committee have any questions. Ms. Bemis indicated that the Auditor estimated the CAFR would likely be completed the following week.

Mr. Longley pointed out that the Committee would need to schedule a time for Mr. Pressley to present the CAFR to the Committee. A discussion ensued as to the timing of the meeting and the deadline for the award. It was determined that once the document was ready, the Chairman would set a date for a meeting. Mr. Longley noted the urgency of moving forward so as to present it to the Council.

3. Status of RFP for New Depository

Deputy City Manager John Lollis distributed a handout to the Committee Members and reported on the status of the RFP for new depository services. Mr. Lollis began his presentation...
with discussing merchant services. He spoke of the City’s banking history and discussed rates charged to the City for credit card services, indicating that the City paid approximately $60,000 the prior year in transaction fees. A discussion ensued during which it was stated that there were two main factors to consider - the transaction fee and the rate. In response to Mr. Webber’s inquiry as to how many transactions the City had the prior year, Mr. Lollis indicated that he would research the matter. Mr. Lollis did state, however, that typically, the Finance Department had a large number of transactions with small amounts, while the Engineering Department generally had a small number of transactions with large amounts.

Mr. Lollis next addressed transaction fees imposed by other agencies, such as the Department of Motor Vehicles. A brief discussion ensued, during which Mr. Lollis pointed out that most municipalities charging fees for credit card payments had implemented caps, explaining that charging a fee based on a percentage could be excessive on some of the larger planning or engineering fees.

A discussion next ensued as to the RFP process and whether one comprehensive RFP should be drafted for all services, or whether the services should be bid out piecemeal. Mr. Lollis indicated that staff could write the draft RFP and estimated the process would be relatively quick, citing the expediency in which other cities had acted. It was noted that the RFP should be drafted in such a manner to elicit rapid responses from the bidding banks.

Mr. Longley suggested that separate RFPs be drafted for each service rather than utilizing one all-encompassing RFP. With regard to online services, Mr. Longley explained that the item had come about in response to the public perception that the City was operating in the 1800s by not offering online payment options.

Chairman McCracken indicated that he preferred that the City require electronic payments from banks, rather than accept manual checks. Ms. Bemis indicated that the City would only need to complete the paperwork to allow for only electronic payments. A discussion then ensued as to how banks processed online payments and the issue of lag time when the City received those payments. It was stated that due to the banks issuing one check for all its City customers, there were times when the City did not receive payment before late fees had accrued.

Mr. Longley indicated that problems with late payments from customers utilizing bank bill pay services occurred on average five times per year, yet when they occurred, the customers were quite upset.

Chairman McCracken noted that there were two methods for online bill pay: via a banking establishment or via the City directly. He indicated that he preferred the banks’ online bill pay services. Chairman McCracken then spoke of merchant services and suggested there were three main components that were important: the percentage rate; the transaction fee; and the reporting.

Mr. Lollis informed the Committee of a meeting he recently had with representatives from the Bank of the Sierra, indicating that it was basically a fact finding mission for the bank.
The Committee unanimously decided to request that one comprehensive RFP be drafted in the next 30 days that would include: 1) normal depository services with reporting; 2) transaction bill pay; and 3) rates and charges in merchant fees for credit card services.

4. **SB 90**

Ms. Bemis distributed a claims analysis prepared by MAXIMUS for the Committee’s review. The analysis was discussed, during which Ms. Bemis informed everyone that Brown Act costs were no longer reimbursable by the State.

Mr. Longley pointed out that the State had acknowledged the City’s increase in population and that the City would receive additional funds.

5. **Review of Auditor Agreements**

Chairman McCracken clarified that the Auditor’s Engagement Letter for the current year had yet to be executed. A brief discussion ensued as to the perceived disinterest of Mr. Pressley to continue his contract with the City.

Ms. Bemis confirmed that the Engagement Letter would be signed for the current period. It was agreed that the Audit Committee would decide after the Audit Meeting whether or not the term of the Mr. Pressley’s Agreement should be extended.

Ms. Lew indicated that she could provide information on the City of Tulare’s auditor if the Committee was interested.

6. **Items for Discussion**

Chairman McCracken indicated that he had compiled various items for discussion, many pertaining to business licenses, and referred everyone to the email he had sent to Mr. Longley in which those items were detailed.

Prior to the discussion commencing, Mr. Lollis distributed a memorandum to the Committee which he stated would provide some information on business licenses. He indicated that in the current year, there were approximately 1,800 licenses issued by the City, with the largest categories being specialty trades, landscaping, and beauty salons. Mr. Lollis stated that as of that date, approximately 760 business had yet renewed their licenses for the year. A discussion ensued as to enforcement, during which Mr. Lollis stated that licensing was currently not enforced. Ms. Lew stated that enforcement would be difficult.

Mr. Longley excused himself from the meeting for approximately five minutes to take a telephone call.

The Committee discussed late fees accrued on business license accounts, during which Mr. Lollis estimated the average late fee to be approximately $25.
Chairman McCracken spoke of the issue of businesses that were no longer in business remaining on the books and suggested that the business license bills include a box to check if the business was no longer in business.

In response to a question posed by Mr. Webber, Mr. Lollis indicated that individual swap meet vendors were not required to be licensed, but rather the operator of the swap meet was.

A discussion next ensued as to ways in which violators could be identified. It was suggested that State Board of Equalization reports could be compared to the City records to identify those businesses who were paying taxes, yet had no current business license on file with the City. Ms. Bemis pointed out that currently the staffing for business licenses consisted only of a ½ time position. In response to Chairman McCracken’s inquiry, Ms. Bemis estimated that with enforcement efforts, the City might collect enough in delinquent funds to fund a full-time position. Mr. Lollis agreed, speaking of staffing in the Finance Department and how a full-time position in Business Licenses would be beneficial.

With regard to ensuring business were actually paying the proper amounts, Mr. Lollis indicated that businesses had never been audited and the system operated on an honor basis. Ms. Bemis added that the City could conduct such audits, yet had never exercised its authority.

Ms. Lew pointed out that the State Board of Equalization reports would provide some insight.

The Committee next discussed commercial truck operators and whether they were included or excluded from licensing. Mr. Longley spoke of the complexity of the commerce statutes and suggested that Ms. Lew could clarify any applicable sections. Ms. Lew stated that she could draft a memorandum for the Committee on the applicable commerce regulations. A brief discussion ensued as to trucking operations and the identification processes for different types of commerce. Mr. Lollis indicated that 27 long haul trucking operators were currently licensed.

In response to a question posed by Chairman McCracken, Ms. Bemis confirmed that SIC Codes were utilized to process the business licenses which thereby allowed for cross-referencing by the Community Development Department.

The discussion on enforcement continued, during which Mr. Lollis estimated that approximately 1/3 to 1/4 of businesses who were licensed the prior year had not yet renewed their licenses for the current year. He indicated that previous years were similar, but noted that substantial historical data was unavailable due to the transition from Eden to Encode financial software. Mr. Lollis stated that he would prepare an analysis of those available years and provide it to the Committee.

OHV fees was the next item discussed, during which Chairman McCracken spoke of the “green tag” state fee. Mr. Longley confirmed that the City received funds from the State, however pointed out that disbursement was controlled by the State. Ms. Bemis indicated that the City had received approximately $62,000 from the State the prior year.
The Committee next discussed Landscape and Lighting Maintenance Districts, during which Chairman McCracken inquired as to their funding. Mr. Longley indicated that the funds were collected through property taxes and that the property owner was responsible for payment. Mr. Longley indicated that the item had been discussed by the Council and that the item had not moved quickly enough. He suggested that Parks & Leisure Services Director Jim Perrine could be invited to address the Committee on the topic.

ORAL COMMUNICATIONS
None

The next regular meeting was scheduled for March 15, 2007 at 1:00 p.m. Chairman McCracken confirmed that a draft RFP for depository services would be presented at that time. He also confirmed that the meeting with the auditor would be scheduled to take place upon Mr. Pressley’s completion of the CAFR. He indicated this would take place prior to the next regular meeting.

ADJOURNMENT
The Audit Committee adjourned at 2:48 p.m.

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Patrice Hildreth, Deputy City Clerk