

City of Tybee Island
Audit Committee Meeting
Friday, Jan. 8, 2010
2:00 p.m.
Room 6 – Old School

APPROVED MINUTES

Member Attendance: Bill Blakey, Alfie Waite, Sallie McClelland, Steven Bryan, Gavin Murphy

Staff: Diane Schleicher; Mary Hogan

Bill Blakey, chair, called the meeting to order at 2 p.m.

There was a motion by Alfie, seconded by Steve, to approve the minutes from the July 7, 2009 meeting. All approved the minutes as written.

Mary Hogan was introduced to the committee as Tybee's new finance director

Discussion of the Independent Auditor's Report for the City of Tybee Island ended June 30, 2009

Bill asked about the city's cash position and cash burn rate. Diane said that the cash balances were impacted by the fact that the county was withholding distribution of SPLOST funds. Steve asked about proration of those funds. Diane said that the funds would eventually be provided by the county but that she would recommend the city anticipate getting only \$7.5 million rather than \$8 million.

Bill asked if it was anticipated that the city would have a balanced budget. Diane said that since the city had adopted higher water and sewer rates that would help the budget be balanced. She noted that the city council had discussed reallocating revenue, such as redirecting antenna lease revenue from the water towers from the general fund to the water and sewer fund.

Steve asked about the audit's statement that the city had been in violation of debt coverage covenants for its water and sewer bonds. Diane said bondholders are mainly concerned about debt repayment and there was no problem with repayment. Mary noted that the audit should encourage the city council to keep rates at the level necessary to maintain debt coverage.

Diane noted that the city has made a lot of capital investments in water and sewer projects. Diane also said they city was looking at adjusting rates for high water users as a way to increase revenue.

Bill asked if increased water rates had had a positive effect on revenues. Mary noted that higher rates can generate more revenue but also can reduce usage, which ultimately can result in lower revenue.

Bill asked about the city's efforts to reduce spending in light of lower revenues and increased expenses. Diane said the city would begin the budget process in February and there would be a workshop for city council. She intended to tell the council she did not anticipate a change in the economy for the better and there would be a need to reduce revenue estimates and dial back capital projects. She noted that there is a new city council in place following the recent election and that could be a factor in budget discussions.

Mary said the city is being more aggressive in collecting old receivables.

There was a discussion about the county experiencing delays in collecting and distributing property taxes to cities.

Mary noted that the general fund is used to subsidize enterprise funds such as the campground funds. Diane said the subsidy of the campground fund could be looked at as similar to a recreation program. Steve questioned that rationale. Alfie said the campground appeared to be run efficiently but paying the debt incurred to purchase the campground put the fund in a deficit position. He noted that campers spend money at local businesses. It was agreed that closing the campground would only reduce the revenue available to service debt on the bonds sold to finance purchase of the campground.

Bill asked about the joint venture mentioned in the audit and Diane said that referred to the Coastal Georgia Regional Development Center, membership in which was required under Georgia law.

Bill asked about the construction in progress entry on page 42 of the audit. Diane said the entry referred to completed water and sewer line projects.

Steve asked about accounting for accruals and Mary said the city does not do that on a monthly basis.

Alfie asked about the control weakness cited in the audit referring to the ability of any city employee to institute a purchase order. Mary said the report was not accurate in that purchase orders are controlled with the software.

Gavin asked about the status of the city's pension obligations in light of decreased assets available to pay them and increased liabilities. Diane said the Georgia Municipal Association manages pension funds for the city and she explained the vesting process for city employees. Mary said she planned to check on the status of the fund with the GMA and the city's obligations.

Hotel/Motel Tax Review

Diane said the city council had requested that the audit committee review the analysis of hotel/motel tax revenue provided by MuniServices for the city as of March 4, 2009 and make recommendations on how the city might increase revenues through better collections procedures and compliance with the tax.

Steve asked if there was an estimate for how much the city is not collecting. Diane said it was difficult to estimate that. Mary said the city staff spends a lot of time attempting to enforce compliance and that the city had changed its tax ordinance as recommended by the analysis.

Meeting with the Reznick Group

Diane said the city's auditors – Reznick Group – would be available to meet with city officials, committee members and the public on Monday, Jan. 11 at 1 p.m. at the city hall. Mary noted that she could ask the auditors to return for another meeting if needed.

Steve made a motion to adjourn. Alfie Seconded. All agreed.

Gavin Murphy
Secretary