



INDEPENDENT AUDIT AND PERFORMANCE COMMISSION (IAPC)

Minutes of the Wednesday, March 4, 2015 Meeting

Location: City Hall – 255 W. Alameda, Budget Conference Room, 4th Floor West, Tucson, AZ

Members Present: Robert Clark (Ward 5), David Cormier, Vice Chair (Ward 1), Mark Crum (Ward 2), Jim Hannley (Ward 3), Ed Hubert (Ward 6), Kevin Oberg, Chair (Ward 4); Jeff Singleton (Mayor)

Members Absent: None

Staff: Joyce Garland, Budget and Internal Audit Program Director; Silvia Amparano, Finance Director; Karen Tenace, Deputy Finance Director; Mike Mason, Finance Administrator; Mike Hermanson, Finance Pension Manager; Bob Kulze, Interim Internal Audit Manager (Ex-Officio Commission Member); Diane Link, Administrative Assistant

Roll Call: 3:01 P.M. A quorum was established.

1. Approval of the February 3, 2015 IAPC Meeting Minutes

(Mr. Singleton arrived at 3:03 P.M.)

It was moved by Mr. Hubert, duly seconded, and carried by a voice vote of 7 to 0, to approve the minutes.

3. Discussion of the FY 2014 Comprehensive Annual Financial Report (CAFR)

(This item was taken out of order.)

Ms. Amparano, Ms. Tenace, and Mr. Mason fielded and answered questions. No action taken.

2. Staff Update

(This item was taken out of order.)

Ms. Garland provided an update on the following:

- The status of the City Manager's recruitment process;
- Ms. Barr and Mr. Kulze completed the cost allocation plan for the administrative service charge to Tucson Water, Environmental Services, and Park Tucson, and HURF in fiscal year 2016. Two meetings were held with the Citizen's Water Advisory Committee (CWAC) to discuss the plan;
- The recommended budget will go to Mayor and Council on April 21st;
- Mayor and Council will be making a decision on March 17th regarding the contribution to the public safety personnel pension system.

Ms. Garland fielded and answered questions. No action was taken.

4. Presentation and Discussion of IAPC Pension Subcommittee Draft Report

The subcommittee members (Messrs. Cormier, Hubert, and Oberg) provided an update and commentary about the draft report. Ms. Amparano thanked the subcommittee for the work that was done on the report and acknowledged that the actuarial assumptions have a lot to do with the outcomes of what was presented. Ms. Amparano stated that the report contained inaccurate and misleading information and requested that the IAPC not approve the report at

this meeting and to work with staff to provide a better understanding of what was provided to the subcommittee and the information that was presented to Mayor and Council and the assumptions behind that information. There was discussion. Ms. Amparano, Ms. Tenace, and Mr. Hermanson fielded and answered questions.

Mr. Cormier made a motion, duly seconded, to: defer approval of the report; have the subcommittee reconvene and meet with staff; get additional information about inaccurate information and alternative scenarios; and issue a final report to include a comment on what the subcommittee experienced in its first five meetings.

There was additional discussion. Mr. Hannley commented that the commission members should have been allowed more time to review the report and understand the material. Mr. Oberg asked if commission members could be allowed to attend the subcommittee meetings in order to become informed and prepared to vote on the report next month. Mr. Kulze stated that the members could attend as part of the audience as long as they did not participate in the discussion. Mr. Crum asked Mr. Kulze to confirm that information. Mr. Kulze agreed to confirm that information with the City Clerk's office. Mr. Singleton noted the complexity of the amortization and actuarial information presented in the report and that all of the scenarios developed are going to be based on the actuarial assumptions. He also noted that the pension issue is not unique to the City of Tucson and suggested that the subcommittee look at the assumptions and scenarios other municipalities and organizations are using to address the issue. Ms. Amparano asked for clarification of the original scope. The subcommittee members stated that the additional information suggested by Mr. Singleton would not be part of the current report. Mr. Cormier restated the subcommittee's original scope to be: a review of the actuary's 20-year forecast to the TSRS (the baseline) and the alternatives to the baseline under the assumed implementation of the failed initiative. Mr. Cormier provided a copy of the scope to Ms. Amparano.

Hearing no other discussion, Mr. Oberg called for the vote. The motion was restated and carried by a voice vote of 7 to 0.

5. Discussion of the City's Small Business Enterprise (SBE) Subcontracting Policy

Mr. Oberg discussed the reason for this topic by indicating that he would like to form a subcommittee to look into a \$25 million construction job near completion which had significant SBE requirements. The idea is to see what kind of effects the SBE requirements have on the job: scheduling; financial; effects between the city and other governments; mandates; and the full impact of qualitative decisions.

It was moved by Mr. Hannley, duly seconded and carried by a voice vote of 7 to 0, to approve the formation of a subcommittee to look into these matters. Mr. Oberg, as IAPC chair, will appoint the subcommittee members at a later meeting.

6. Call to the Audience

There was no audience.

7. Future Agenda Items

Future meeting agendas were discussed. No action was taken.

Adjournment: 4:24 P.M.