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## MEMORANDUM

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### OVERVIEW

The Charter Revision Workgroup plan requires this office to review the proposed revisions and provide an overview as to specific changes in the Charter that would affect various City departments. The Proposed Revised Charter suggests a number of changes to the way the City deals with financial matters and how the Finance Department should be structured. In brief, the major areas that warrant discussion are:

- 1) The removal of Finance Director from a Charter-level position to one created and governed by ordinance.
- 2) Details regarding the types of funds the City maintains.
- 3) Changes as to what routine financial claims may be paid by the Finance Department without approval from the City Council.

Upon review of the Proposed Revised Charter, the Finance Department has suggested a number of small changes that could occur in conjunction with the Charter Revision. Those changes are detailed below.

## ANALYSIS

### **I. OVERVIEW**

The Charter has finance provisions throughout Charter and ordinance. Charter chapter 5 is entirely devoted to taxation and finance, while Charter chapter 3 contains provisions regarding the appointment of the financial officer and his/her duties. Additional information about the role of the finance officer or the financial department appears in Charter sections discussing the Park Board, the Board of Estimate, Water Works, and Civil Service, among others. There is also substantial mention of financial matters throughout the Code of Ordinances. In addition, there are a number of special laws that specifically relate to the financial functions of the City. The Proposed Revised Charter does make mention of preserving all existing special laws, so those would likely remain intact.

### **II. REMOVAL OF FINANCE OFFICER TO ORDINANCE**

The Proposed Revised Charter contemplates removing portions of Charter chapter 3 to ordinance. Specifically, the position of Finance Officer would no longer exist in the Charter, but would instead be governed by ordinance. Moving such provisions to ordinance seems in keeping with the philosophy of the Model Charter for Minnesota Cities, which suggests that a charter deal only with fundamentals, leaving most details to ordinance as needed. Per the Finance Department, removing the actual position of Finance Officer to ordinance would have little to no effect on how financial matters were handled in the City. The duties of a Finance Officer are essential to the City, and would be performed no matter what the title of the Finance Officer or structure of the Finance Department.

As noted in other memos, moving provisions to ordinance does result in a significant difference as to how easily provisions may be altered. Where amending a Charter provision requires either a 13-0 vote of the City Council or a majority popular vote in favor of the ballot question, amending an ordinance requires only a majority vote of all Council Members present. Shifting the creation of a Finance Officer to ordinance will mean that the powers of that officer can be much more easily changed, or even eliminated, by the Council.

### **III. DETAILS REGARDING CITY FUNDS**

The current Charter requires creation and maintenance of a number of City funds, including a General Fund, a Permanent Improvement Fund, a Sinking Fund, a Current Expense Fund, and a Civil Service Fund. The proposed Charter retains many of the same provisions. However, the Finance Department suggests that, save for the creation of the City's sinking fund, matters such as the creation of funds are better suited to ordinance.

#### IV. PAYMENT OF CITY CLAIMS AND OBLIGATIONS

The current Charter contains the following provision regarding the City's ability to pay bills:

The Council may provide by ordinance for the payment of all current bills incurred by the city for goods, wares and merchandise, the purchase whereof has been duly authorized for the use of the city or any of its departments without awaiting the formal vote of said City Council directing payment thereof. The City Council may further provide by ordinance for the payment of tort claims against the City and its employees, conciliation court judgments, and all current bills incurred by the city arising out of workers' compensation employee claims without awaiting the formal vote of said City Council directing payment thereof. The Park and Recreation Board may likewise by ordinance provide for the payment of tort claims against the Park and Recreation Board and its employees, conciliation court judgments, and all current bills incurred by it or under its authority for goods, wares and merchandise, and for the payment of all current bills incurred by it arising out of workers' compensation employee claims, without awaiting the formal vote of such board directing payment thereof. The ordinance may provide for the immediate payment by the City Finance Officer, out of the appropriate fund, or out of a special fund set aside for the purpose of all bills approved by the city purchasing agent. And all officers of the city who are authorized by law to sign or countersign warrants or orders for the payment of merchandise accounts may accept the approval of the purchasing agent as a sufficient audit of such bills. Should any bill so paid prove to be erroneous or excessive upon examination made within ninety days after payment, the payee thereof shall repay to the city on demand of the City Attorney all such excess, or be subject to an action at law for double the amount thereof. Said ordinance or ordinances may contain such further provisions as the governing body shall deem necessary for protecting the city against fraud, irregularity and mistake in the matter of such purchase and may provide that any violation thereof shall be a misdemeanor and punishable as such.

Charter ch. 4 § 20. There does not seem to be a similar provision in the proposed revision authorizing the payment of such a wide variety of bills and claims. The Proposed Charter Revision provides the following:

**Routine claims.** The City Council (or, in the case of a matter under its charge, the Park & Recreation Board) may by ordinance provide—

- (1) for the current payment of authorized bills, payroll, and other routine claims upon the City incurred in the ordinary course of business;
- (2) for recovery of any overpayment, including civil liability up to double the amount overpaid; and

(3) for criminal liability for a fraud or other abuse.

Proposed Charter Revision § 10.2(b). Limiting the ability to pay to “routine claims” appears to limit payment to matters such as small tort claims and workers’ compensation claims. It does not appear to be as broad as the current charter, which authorizes payment for a substantial number of types of claims.<sup>1</sup>

## V. SUGGESTED ADDITIONAL REVISIONS

The Finance Department suggests that some additional changes would be helpful in the event the Charter was to be revised. For example, under both the current and proposed Charter, the budget director would continue to report to the City Coordinator. *See* Charter ch 5 § 8. As all other budget-related positions report to Finance, it would make the most sense to have the Budget Director report to Finance as well.

At one time, the existing Charter referred to the Finance Officer as the “Comptroller-Treasurer.” Currently, the Charter still makes mention of both the Finance Officer and the “City Comptroller.” The proposed Charter generally refers to the City’s chief financial officer as “Finance Officer” but also, on occasion, makes reference to “Treasurer.” In the event that revisions are being considered, it would make sense to ensure that all these references are consistent throughout.

## CONCLUSION

This memo exists only to provide a guide as to the suggested changes contained in the Proposed Revised Charter and to assist the Workgroup in its discussion of those changes.

Please feel free to contact me if you have further questions or concerns.

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<sup>1</sup> Under both the current and proposed Charter, the City Council must still authorize payment of employee payroll at a Council meeting. According to the Finance Department, this is an antiquated method of doing things, and one that the Council would be glad to have removed.