

**ONTARIO CITY COUNCIL MEETING MINUTES
Monday, February 2, 2015**

The regular meeting of the Ontario City Council was called to order by Mayor Ronald Verini at 7:00 p.m. on Monday, February 2, 2015, in the Council Chambers of City Hall. Council members present were Ronald Verini, Norm Crume, Tessa Winebarger, Charlotte Fugate, Thomas Jost, Larry Tuttle, and Betty Carter.

Members of staff present were Tori Barnett, Larry Sullivan, Marcy Siriwardene, Mary Domby, Kari Ott, Mark Alexander, Dave VanWagner and Betsy Roberts. The meeting was recorded, and copies are available at City Hall.

Betty Carter led everyone in the Pledge of Allegiance.

AGENDA

Mayor Verini stated there were new hand-outs: first, the proposed motion for item 8C had been amended; second, the addition of the new action item 8E; and third, the addition of item 8B had been added.

Norm Crume moved, seconded by Charlotte Fugate, to adopt the Agenda as amended. Roll call vote: Crume-yes; Winebarger-yes; Fugate-yes; Jost-yes; Tuttle-yes; Carter-yes; Verini-yes. Motion carried 7/0/0.

CONSENT AGENDA

Charlotte Fugate moved, seconded by Betty Carter, to approve Consent Agenda Item A: Minutes of the Regular Meeting of January 20, 2015; and Item B: Approval of the Bills. Roll call vote: Crume-yes; Winebarger-yes; Fugate-yes; Jost-yes; Tuttle-yes; Carter-yes; Verini-yes. Motion carried 7/0/0.

NEW BUSINESS

Audit Presentation

Mike Poe, of Lewis, Poe, Moeller, Gunderson, & Roberts, La Grande, Oregon, stated his firm had conducted the audit for this year. He had met with Councilors Fugate and Carter earlier that day, and he went into great detail with them. He asked what the Council might want, and was told just a quick overview of what an audit was, along with the findings. He had distributed a copy of the Audited Financial Statements that evening, along with two separate reports. One of those was required communications; the other, was the management letter, which had some findings listed.

On the letter of required communications, that was pretty boiler plate, required by auditing standards for auditors to communicate to the Council. There was nothing negative in the letter, no problems. It outlined important factors such as some of the numbers in the financial statement were estimated; stating there were no difficulties or differences of opinion between the auditor and management; and all the corrections being proposed by the auditor were posted.

The management letter outlined some deficiencies. If the audit revealed any issues, it had to be classified in a category. If it was significant, and it was important for the city to address, it was a *Material Weakness*. If it wasn't to that level, but needed attention, it was termed a *Significant Deficiency*. All the other comments were placed in one category. With those other comments, those were auditor's judgment on whether those would be communicated in writing or verbal with management or Council. He opted to go with written.

The first item in the letter dealt with accrued vacation. Management might have a different perspective on that, but what he noted was that the city had a policy that limited the amount of accrued vacation that could be carried. It appeared to have a cap. When reviewing payroll, there were some employees, not many, who had hours above that set limit. He questioned if those employees truly lost those hours or if that was the intent under the policy, so there might need to be something added to accounting which addressed the intent of the policy and that it was being followed.

Number two had been corrected by management before the audit was completed. Throughout the year, there had been billings to Snake River Correctional Facility that were close to six months behind. That had been caught up and paid before the audit. As an auditor, he was charged with determining if the system was operating at a level that staff or the system would catch, detect, and/or correct, errors or flaws. In this case, the system corrected the issue. It was a large dollar amount, and it could have had a large impact on the city's finances.

Number three was a two-part issue. When accounts receivable were booked into the accounting system, one thing that accounting standards required was that at year end, they reviewed and determined if all of those receivables were collectable. If there were any in doubt, there should be an allowance for doubtful accounts booked to lower the value to what they expected to collect. There was not an allowance account established previously, but there was one now. Management reviewed and estimated that allowance and booked it.

Regarding the findings in the rear of the report, page 71, it was where the other *Significant Deficiencies* were outlined. The first issue dealt with a similar issue with accounts receivable. It was noted that on the aging accounts receivable report, there were a lot of accounts that were old, had no activity during the year, hadn't changed too much from the prior year, or just old accounts the city had not been able to collect on. The auditors believed they were uncollectable. With that, he had asked what the policy was for the city. Was there a written policy on receivables or what was the collection policy? There were some things being done, but there really wasn't a written policy being followed. He recommended a written policy be adopted and that staff clean up the "dead" accounts, if they were truly dead and uncollectable, and that those be written off so they didn't misstate the financial statements. They'd be able to get the number that was actually collectable. One part of the policy was that the Council was the body that should approve the final write-off. The policy that should be created, would have steps such as that after so many days a letter would be sent, maybe followed by a second letter, maybe a call by the city, whatever procedure they wanted to enact, but then the account might go to a collection agency. There were many ways to approach this, and they'd need to find what worked best for this organization. When it was time to delete the account out of the system, so there would be no more follow-up by city officials, the final step should be approved by the Council. This was partly for transparency, and partly for providing protection for management. In essence, they would create a policy to collect a fee, which wasn't collected, and management shouldn't be the party to decide whether or not to stop that collection; it should be an order made by Council.

Mayor Verini asked if they were looking at a significant amount of money on this, or were they just seeing a few inadequacies.

Mr. Poe stated in his opinion, it was a pretty significant dollar amount of dead accounts. He didn't recall the exact figure, but guessed at around \$40K-\$50K of really old issues. There was the same number as prior years, with no activity in those accounts, as people moved away, abandoned their property, or whatever. It was not a good idea for management to be wiping those out, so those just remained in the system, showing as owed to the city, but some were so old there would probably not be much success in collecting.

Mayor Verini asked if that would show on their balance sheet as cash on hand.

Mr. Poe stated no, it would show as accounts receivable or notes receivable.

Mayor Verini stated then it wouldn't be part of the budget.

Mr. Poe stated no, because the budget was generally based on collections, but it would affect the revenue in the financial statement issued to the state.

Councilor Tuttle stated if it was projected revenue, and the budget was based on that, it would affect it, wouldn't it?

Mr. Poe stated at some time in the past it had affected it, because it had been projected. When they built the budget, they looked at what the receivables were currently, what they would be billing, and what the receivables would be in end. That's what was budgeted for. If they added \$50K of dead accounts at the beginning of the year, and \$50K at the end, it didn't really affect last year's budget, but it would have affected some of the previous ones.

Mr. Poe continued with the second item, which dealt with the city's disbursement cycle. He met with management earlier in the day, and was informed by staff and the two previously mentioned Councilors that there had been a lot of work done in this area. He believed there were some weaknesses in the disbursement cycle. As they reviewed it, he believed there were some good controls over the disbursements, but as an Auditor, it was all word of mouth, there wasn't a good paper trail. As an example, he was aware that Council received copies of the check registers and financial information, which was approved by them at a Council meeting, as reflected in the minutes. And, after speaking with the Audit Committee, it was confirmed that the information was received. As an Auditor, however, coming in later, if he had been shown the report, how could he confirm that it was the report actually, truly seen and approved by the Council? He wanted to see some of that approval action documented with initials, signed off as the official report. In addition, some of the accounting staff were reviewing bank statements on-line, and viewing cancelled checks, but again, there was nothing to evidence they were actually doing that. Many times when they'd get into court or into a state audit where a complaint was being addressed, if there was no written documentation that occurred at the time of the event, testimony was not good enough evidence to prove what they stated was done, was truly done. They might have a staff member who was no longer employed or who was unable to testify. The records didn't have the appropriate audit trail to prove there had been management approval on these things. It should be easily correctable steps: printing them off, reviewing them, initialing them, and stating the date of review. An Auditor would be able to see the procedure and approval process was working.

As an Auditor, one thing he didn't like, and he was aware it had been changed, and discussed in the past, but he was probably more critical of the system because of it, but that was with having the signatures on checks printed by computer, rather than signed by individuals or using a stamp controlled by the individuals. Anyone who had access to a computer and check stock could print a city check and it would be hard to distinguish between that check from any other check that went through the approval process. He was sure that would be changed, so he didn't feel it necessary to bring that up further.

Mayor Verini stated the city was currently changing that.

Mr. Poe stated with regard to the rest of the review, the city had some good controls in place, and things were being watched and reviewed. Many times he was only able to talk about negative things, but there were a lot of good things taking place in the city, too. He understood it was difficult to really deeply discuss as the Council had just received report, but they could certainly contact him at any time.

Councilor Crume asked if they looked at previous audits to see the deficiencies that were there before, to compare with what was showing currently.

Mr. Poe stated he hadn't taken that approach. He reviewed some past audits, and one issue that he noticed was a qualified opinion on fixed assets, but that had been done for years. He was charged with determining if he was comfortable with the beginning balances, and could move forward. With financial statements, when looking at the balance, including cash, accounts receivable, fixed assets, and payables, those numbers affected what the beginning equity was. He had to do enough work to satisfy himself that the equity number was correct, so that this year's numbers weren't misstated. The thing he would note was there was not an allowance for doubtful accounts for the accounts receivable. In his opinion, the assets were overstated by \$40K-\$50K.

Councilor Crume wanted to know if, in regard to the problems the city had before, had a significant change been made? It appeared there had been.

Mr. Poe stated that was correct. Many issues from prior years had been addressed and corrected.

Larry Sullivan, City Attorney, stated by accepting the Audit, it meant the Council was acknowledging receipt of the Audit, and there was nothing in the Audit Report, at this time, the Council disagreed with. They always had the option of going back and reviewing it, and possibly bringing forward changes they'd like to see made.

Betty Carter moved, seconded by Norm Crume, to accept the Audit Report as submitted by the Auditor. Roll call vote: Crume-yes; Winebarger-yes; Fugate-yes; Jost-yes; Tuttle-yes; Carter-yes; Verini-yes. Motion carried 7/0/0.

Notice to Proceed: Professional Engineering Services for Additional Sanitary Sewer Replacement Design, Bidding, and Construction Administration Services (Anderson-Perry)

Betsy Roberts, CH2M HILL, City Engineer, stated this was a request by CH2M Hill to the city to provide Notice to Proceed to Anderson-Perry design engineers to develop additional construction drawings and update contract documents to include several of the City's "hot spot" sanitary sewer problem areas. They did not anticipate exceeding the \$21,000 total. Based on questions posed by Councilor Tuttle at the previous work session, she had contacted Anderson-Perry, and based on her conversation with them, she amended the action before the Council to reflect the \$19K on the design, plus up to \$2K for bidding and construction support, *only used if the City Engineer requested their support.*

Councilor Crume asked about the Hydrogen Gas level.

Ms. Roberts said that a lot of systems did not have the corrosion that they were seeing in Ontario, and slopes could create more turbulence. Staff would be looking into that.

Continuing on, the Council previously approved Work Order 6-Revised, dated April 15, 2014, to conduct the initial sanitary sewer replacement work identified by Public Works staff. The original amount of work incorporated nearly 1,600 linear feet of existing sanitary sewer mainline and manholes. Wastewater entering the Ontario collection system was high in Hydrogen Sulfide Gas. This acidic product corroded the exposed surfaces of concrete pipe and manholes, causing severe structural damage over time. The city had consistently been upgrading its concrete pipe and manholes with new plastic pipe and concrete manholes with polyurethane-lined manholes.

In addition to the sanitary sewer replacement work already developed by Anderson-Perry in Work Order 6 Revised, addition of these "hot spot" sections of sanitary sewer mainline and manholes was recommended. The "hot spots" were sections of pipe and manholes that needed more attention than was typical. Several plugged easily, creating potential overflow situations or other such safety hazards.

Staff recommended developing the bid document in such a manner that the budget could be met by eliminating deductive alternates. In this manner, the city took full advantage of their available budget while not overspending. If there were deductive alternate segments of pipe that did not get completed in this project construction cycle, the design was complete and could easily be done at a different time when funds became available. Because the city's fiscal year bisected the middle of the construction season, staff anticipated the construction work would not be fully completed in this current fiscal year. This could be to the city's benefit in taking budgets from two separate fiscal years.

If the Council chose to not authorize the Notice to Proceed for Anderson Perry, the existing work would still continue forward as planned and that portion of work would be constructed this spring and summer, given a successful bid was received.

Work would be billed on a lump sum basis, in accordance with the estimate included in the Work Order. The City Engineer would manage the work identified to the aggregate total budget amount, \$19,000, plus up to \$2,000 for bidding and construction support if needed. The total amount of \$21,000 would not be exceeded without prior written authorization from the city. This was a budgeted item, and funding would be expended from Line Item 110-165-719312 Sanitary Sewer-Hot Spots.

Norm Crume moved, seconded by Charlotte Fugate, that the City Council authorize a Notice to Proceed for Professional Engineering Services by Anderson-Perry to conduct the Additional Sanitary Sewer Replacement Design, Bidding, and Construction Administration Services Work for the spring of 2015 in the amount of \$19,000 for design and up to \$2,000 for Construction Administration Services, as requested by the City Engineer. Roll call vote: Crume-yes; Winebarger-yes; Fugate-yes; Jost-yes; Tuttle-yes; Carter-yes; Verini-yes. Motion carried 7/0/0.

Councilor Crume asked that Ms. Roberts, as staff learned about the city's system, keep the Council informed, occasionally, on the gas problems. He was interested in what was found, and what some future remedies might be.

Ordinance #2698-2015: Amend OMC 3-11-4 re TOT by Deleting the Requirement of 3-11-4(B) to Budget Funds for Street Maintenance Activities for Ten Years – 1st Reading

Larry Sullivan, City Attorney, stated at the City Council work session on January 15, 2015, the Council amended the agenda for the January 20, 2015, public meeting to include as a new business item a discussion of an ordinance to change City Code Section 3-11-4(B) concerning the allocation of the City's Transient Occupancy Tax (TOT). A number of Council members wanted to discuss such an ordinance.

The city received taxes from individuals that stayed in the city's motels. Before November, 2013, Section 3-11-4 of the Ontario City Code read that 52.5% of those taxes had to be paid into the city's street fund for street maintenance. Between 2005 and 2012, city staff and the City Council failed to follow that Code section and did not spend any of the TOT funds received for street maintenance. Michael Long, a former city Finance Director, brought the misallocations to the Council's attention at the end of 2012.

After many months of discussion, the Council passed Ordinance 2685-2013 in November, 2013, to require the city to correct the misallocations by budgeting an additional \$202,648 annually for ten years for street maintenance activities. That ordinance also reduced the amount that had to be spent for street maintenance activities from 52.5% of the TOT funds received by the city to 26.5%.

If the City Council approved Ordinance 2698-2015, the city would no longer be required to budget \$202,648 annually for street maintenance activities in order to comply with City Code Section 3-11-4(B). The other requirement in Section 3-11-4 that 26.5% of TOT funds be used for street maintenance activities would remain in effect. The City Council could delete subsection (B) of City Code Section 3-11-4 and discontinue paying \$202,648 annually for street maintenance without violating any laws.

Norm Crume moved, seconded by Charlotte Fugate, that the City Council approve Ordinance No. 2698-2015, AN ORDINANCE AMENDING CITY CODE SECTION 3-11-4 BY DELETING THE REQUIREMENT OF 3-11-4(B) TO BUDGET FUNDS FOR STREET MAINTENANCE ACTIVITIES FOR TEN YEARS, on First Reading by Title Only. Roll call vote: Crume-yes; Winebarger-yes; Fugate-yes; Jost-yes; Tuttle-no; Carter-yes; Verini-yes. Motion carried 7/1/0.

E) Proposed Increase in Interim City Manager Salary

Kari Ott, CPA, Finance Department, stated Tori Barnett, City Recorder, had been the Interim City Manager since April 1, 2014. It was believed at that time that the interim position would last approximately four to six months. A mutual agreement was reached for a stipend in her salary for this extra duty for that timeframe. As the extra duty now neared twelve months in duration, Council discussed increasing the salary for the City Recorder/Interim City Manager to \$105,000 annually.

On January 29, 2015, during the work session, it was Council consensus to increase the salary of the Interim City Manager, and directed staff to bring a staff report for proposed action to the February 2, 2015 Council meeting.

After the previous City Manager resigned, the City Council asked City Recorder Tori Barnett to become Interim City Manager until a new City Manager was hired. The agreement was that the City Recorder/Interim City Manager would receive an extra \$2,400 per month while performing City Manager duties for an estimated four to six months. The Council discussed increasing the City Recorder/Interim City Manager's salary to \$105,000 annually (\$8,750 monthly) and to make it retroactive to September 2014. There were sufficient funds available within the Administration Department personnel services to cover the increase, along with the retroactive pay to September 1, 2014. It would cost approximately \$20,685.00.

Norm Crume moved, seconded by Thomas Jost, that the City Council approve a gross monthly wage for Tori Barnett as City Recorder/Interim City Manager of \$8,750 (\$105,000 annually), retroactive to September 1, 2014. Roll call vote: Crume-yes; Winebarger-yes; Fugate-yes; Jost-yes; Tuttle-no; Carter-yes; Verini-yes. Motion carried 6/1/0.

DISCUSSION ITEMS

- Ms. Barnett stated staff was moving forward on the process of hiring a Police Captain; she had provided information to the interested parties regarding the Golf Course; and she had also been in contact with the high school, who asked that their golf team be allowed to use the driving range. Also, the city had received a Certificate of Appreciation form SREDA, which read: "To the City of Ontario, in recognition for valuable contributions to the Snake River Economic Development Alliance".

EXECUTIVE SESSION

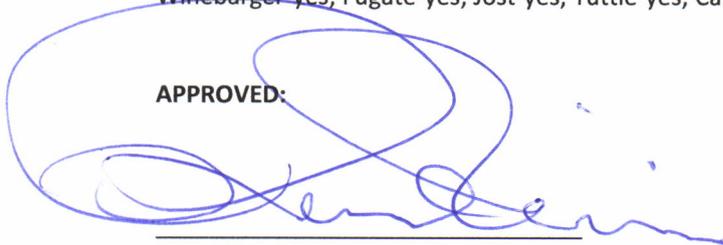
Executive Session: ORS 192.660(2)(a)

An executive session was called at 7:53 p.m. under provisions of ORS 192.660(2)(a) to consider employment of an officer, employee, staff member or agent. The Council reconvened into regular session at 8:29 p.m.

ADJOURN

Norm Crume moved, seconded by Charlotte Fugate, that the meeting be adjourned. Roll call vote: Crume-yes; Winebarger-yes; Fugate-yes; Jost-yes; Tuttle-yes; Carter-yes; Verini-yes. Motion carried 7/0/0.

APPROVED:



Ronald Verini, Mayor

ATTEST:



Tori Barnett, MMC, City Recorder