

MINUTES REGULAR COUNCIL MEETING

CITY OF SHEPHERDSVILLE,

MONDAY, March 28, 2011

Tim Wade gave the invocation

Pledge of Allegiance was recited

Mayor Ellis called the meeting to order at 6:30 p.m. and thanked everyone for coming.

In attendance were Council members Bernie Brown, Don Cundiff, Bonnie Enlow, Larry Hatfield, Faith Portman and Alan Wetzel.

Mrs. Portman made motion to dispense with reading of the minutes from the March 14, 2011 Council meeting. Mrs. Enlow 2nd. Motion carried 6-0 absent. Mrs. Enlow made motion to approve the minutes. Mrs. Portman 2nd. Motion carried 6-0 absent.

Old Business:

Don Lawson Jr. and David May with Stephens and Lawson were present to discuss the 2010 audit. Mr. Lawson went through the audit page by page with the Council. Mr. Lawson stated that on page one they did not get written representation from management and therefore his firm could not form an opinion on the audit. Mr. Lawson stated on page 4 the fund balance in the general fund is negative. Page 30 shows general fund budget number at \$9.3 million to actual being under \$6 million. He stated page 31, 32, 33, 34 shows the general fund even; the fire department and public works were under budget and the police department was \$516,000+ over budget. He stated road fund (Municipal Road Aid) was over budget. City Attorney Wantland asked Mr. Lawson to reiterate that the general fund balance was \$711,000 over budget. Mr. Lawson answered yes. Actual numbers exceeded budgeted numbers. Mr. Lawson stated the two previous years there is almost \$1 million deficit. Mr. Lawson went on to explain pages 11-29 are footnotes to the financial statement. Page 15 deals with encumbrances. Mr. Lawson stated he has no clients who use the encumbrance method of accounting. Pages 31-35 explains budget versus actual numbers. He stated that since the City received so much federal money the highest level of an audit, a single audit had to be performed last fiscal year with accounting more restrictive. City Attorney Wantland asked Mr. Lawson if City personnel were implementing recommendations made by his firm. Mr. Lawson stated yes they were. Mr. Brown asked Mr. Lawson if the engagement letter was considered a contract. Mr. Lawson stated yes. Mr. Lawson also stated the engagement letter includes all the requirements for conducting the audit. Mr. Brown asked Mr. Lawson if the engagement letter is considered a contract why was it only signed of by the Mayor. Mr. Lawson stated it may have been signed electronically. Mr. Brown also stated the Engagement Letter does not include several things required by KRS to be included in a contract. Mr. Brown asked if it was a requirement to present the audit to the Council at a regular or special meeting of the legislative body. Mr. Lawson said yes he believed it was a KRS. Mr. Brown asked Mr. Lawson if he asked why he was not asked to present the audit to the Council the last few years. Mr. Brown stated he could not approve an audit that had DRAFT stamped on each page. Mr. Lawson stated that he is waiting on approval to finalize. Mr. Hatfield asked how do we approve an audit that isn't correct. Mr. Lawson stated he does believe the audit is correct and asked to sit down with the Council to discuss further. Mr. Hatfield asked why we approve an audit; it is what it is and asked how to close this audit out. Mr. Lawson stated he has been in various cities with financial troubles. City Attorney Wantland stated he does not believe we have a budget in place and asked who spent more than they had. Mr. Lawson stated he did see some invoices that were paid twice. Mrs. Enlow asked Mr. Lawson if he alerted the Clerk and Treasurer of the discrepancies. Mr. Lawson also stated money was drawn down from two different places. Mr. Cundiff asked Mr. Lawson if he could get a list of draws. Mr. Lawson answered yes. Mr. Brown stated he is not ready to approve this audit. City Attorney Wantland asked Mr. Brown to meet with him in the coming week to hash out problems with the

audit. Mr. Brown stated he would like to have an Ordinance that says the audit must be completed and signed off on by the previous Mayor before a new Mayor takes office. City Attorney Wantland stated we need a disclaimer in this audit.

Marty Brown with Public Finance reported to the Council that the written report would be ready and delivered to the City by April 4th.

Discussion followed on the proposed agreement with LG&E to pay balance on sewer plant utility charges that got behind when the new plant was being built. The proposed agreement was for the City to pay \$10,000+ a month in addition to the regular monthly bill at the sewer plant. The Council asked that we contact LG&E to see if we could spread the payments out for a year.

City Attorney Joe Wantland had second reading and public hearing on Ordinance 011-794 providing for closing/abandoning a portion of unimproved alley formerly known as North Street/Hogland Street running southeast from Highway 44 West as a public was maintained by the City. Mrs. Portman made motion to approve. Mrs. Enlow 2nd. Motion carried 6-0 absent.

New Business:

Mayor Ellis asked for approval of Tammy Richmond as City Clerk. Mrs. Portman made motion to table approval. Mr. Hatfield 2nd. Motion carried 5-1. Mr. Brown voted against.

City Attorney Wantland read Resolution 011-010 authorizing changes in checking accounts at PBI Bank. Mrs. Enlow made motion to approve. Mrs. Portman 2nd. Motion carried 6-0 absent.

Discussion followed on renewing lease of the old City Hall building, 170 Frank E. Simon Avenue to Probation and Parole. Mr. Hatfield stated he had a problem with renewing the lease if the City is going to try and sell the property. It was decided to contact Probation and Parole and get a 30 day extension on the current lease until the City makes a decision on what to do with the building. The Council concurred to get an appraiser to appraise the property and report back at the next meeting.

Discussion followed on giving Judy Construction Company a letter of Intent or prepare a Resolution on revised pricing on Phase 2 proposal for the WWTP Solids Processing Building and related work. Engineer Rob Campbell with Qk4 addressed the Council about the project and answered any questions they had. After further discussion it Mr. Brown made motion to approve the change order contingent on financing being in place to fund the payments. Mrs. Portman 2nd. Motion carried 6-0 absent.

City Attorney Wantland read Resolution 011-011 granting inducements to Best Buy. Mrs. Enlow made motion to approve. Mrs. Portman 2nd. Motion carried 6-0 absent.

Discussion followed on renewing lease to Jessica Schaaf for flood buy out property located on Old Preston Highway. Mrs. Enlow made motion to approve a two year lease extension. Mr. Hatfield 2nd. Motion carried 6-0 absent.

Discussion followed on EPA Special Appropriations Grant in the amount of \$216,800. Engineer Angi Johnston with Qk4 addressed the Council stating this grant is from Fiscal Year 2003 and was originally for Phase 3 of the Salt River Interceptor project. She explained it can be used to decommission the Best Western, Eastview, Centerview and Lakeview pump stations and do repairs to the Best Western line. Mr. Hatfield made motion to get the money and use it on Phase 3 of the Salt River Interceptor line. Mrs. Enlow 2nd. Motion carried 6-0 absent.

Planning & Zoning update- Daryl Lee: No Report

Board of Adjustment update- Duane Price: No Report

Sign-in Speakers:

Gaynell Rummage addressed the Mayor and Council with a few questions. She asked why pay raises were given after the freeze. Mayor Ellis stated that raises were given before the freeze was voted on. Mrs. Rummage asked why the raises exceeded the amounts stated in the City's Ordinance. She stated the Ordinance needs to be changed or raises taken back. Mrs. Rummage asked why the City was not issuing 1099s? She stated one gentleman was paid \$161,000 in a year and a half and another \$70,000 in a year. Mayor Ellis asked Mrs. Rummage to stop there because that is issues that are under investigation and cannot be discussed at this time.

Mr. Steve Larimore addressed the Council about property that belongs to the City at the Cedar Grove Business Park; some walking trails and a couple lakes. He stated the property was acquired from Flynn Brothers with the requirement that the City maintain the walking trails. The City has not upheld its part of the agreement and as Chairman of Parks and Rec he would like to talk with the City to turn the maintenance of this property over to the County. He stated he would like to come back in about a month to present a proposal to the Council.

Mr. Hatfield stated that he would like to discuss hiring Mark Edison as the attorney for the Council. He stated there are several issues that bother him and he thinks we need a second legal opinion on. He stated he knows this is going to cost more money and in no way does he want to replace Joe Wantland but there are issues concerning the budget and bonds that we need a second opinion on to decide how we going fix the financing long term of the City. Mr. Hatfield stated that he had asked the Mayor to have this issue put on the agenda and inquired why was not. Mayor Ellis stated that he misunderstood Mr. Hatfield and thought he was just going to bring it up. After further discussion Mr. Hatfield made motion to hire Mark Edison temporarily to work with Joe and answer legal questions to get a second opinion on certain matters that this investigation is going to bring up in the next two to three months. Mr. Brown 2nd. Motion carried 4-2. Mrs. Portman and Mrs. Enlow voted against.

Departmental reports:--None

Council reports: None

Motion to adjourn by Mr. Hatfield. Mr. Brown 2nd. Motion carried 6-0. Meeting adjourned at 8:56 p.m.

R. Scott Ellis, Mayor

Tammy Richmond, City Clerk