

**CITY OF SHEPHERDSVILLE
SPECIAL COUNCIL MEETING MINUTES
MONDAY, December 29, 2014**

Mayor Ellis called the meeting to order at 6:34 p.m.

Council members present: Dana Bischoff James, Jose' Cubero, Faith Portman and Gloria Taft.

Mayor Ellis stated there were several things on the Agenda tonight. We were set for a meeting on December 8th which we weren't able to have due to we did not have a quorum. First up Jason Strange with Smith & Company CPAs to present the Audit to the Council.

Jason Strange: Thank you Mayor. I'd like to thank the Mayor and Council and the City to allow Smith & Company CPAs to perform your Financial Statement Audit for Fiscal Year 2014. I was here a few weeks ago and distributed copies. I'm just going to go through and touch on some high points. If anyone has any questions feel free to ask; I know it's a lot of information and if you have questions afterward I'm always available and Bob can get in touch with me. Please turn to page 4 of the report you have you'll see a heading titled Opinions; here we state that in our opinion the Financial Statements of the City are fairly presented in all material respects in accordance with generally accepted accounting principles. So basically that's an unmodified clean opinion on the Financial Statements for the City. So that's a clean, unmodified, good opinion that the Financial Statements are presented fairly in accordance with generally accepted accounting principles. With that I would direct you now to some of the statements; I'm just going to touch on some of the highlights on page 15, this is your balance sheet for your governmental funds and your general fund; being the largest of your funds here and I just want to point out that your total assets in your general fund are \$2.9 million and you have liabilities of \$185,000 and this is as of June 30, 2014 which left you with a residual fund balance of \$2.9 million which is a health fund balance in your general fund. In the municipal street fund you had a fund balance of primary consisted of cash with no liabilities of about \$415,000; so total fund balance for your governmental funds of \$3.35 million. That's your assets less your liabilities for all your governmental funds. To show how that changed during the fiscal year on page 17 you'll see you had total revenues in your general fund of \$8.2 million; total expenditures of \$7.7 million and other financing sources of \$33,000 for a total change in your fund balance in your general fund of approximately \$523,000 and that took it from \$2.2 million at June 30, 2013 to \$2.75 at the end of the current Fiscal Year June 30, 2014. Obviously the majority of those revenues coming in you can see; the occupational tax of \$4.8 million. On page 19 details the assets, liabilities and net position of your proprietary fund which is the Sewer Fund. You see total assets of \$48.3 million and the majority of that includes the Capital Assets which are net amount of accumulated appreciation of \$45.3 million of that total asset number; liabilities of \$29.1 million so that leaves a residual net position in the Sewer Fund of \$19.2 million as of June 30, 2014. On page 20 you'll see the change in that net position over the current Fiscal Year; you see total operating revenues of \$4.8 million; total operating expenses of \$1.8 million less depreciation and amortization left you with operating income in the Sewer Fund of approximately \$1.1 million and then you have other non-operating expenses and revenues consisting primarily of interest expense of \$1.1 million; that's some sewer expansion revenue of \$100,000; overall the total change in net position in the Sewer Fund was a position \$67,000. So the net position increased \$67,000 from the previous year. You'll see a prior period brief statement there that had to do with a change in accounting principle for bond issue cost. The accounting pronouncement setters basically want you to now expense all bond issue costs where you use to amortize those over the life of the bonds so to present that they had to make a restatement to a prior period for the total amount that would be expensed and that's the \$506,000 decrease in the prior period restatement in the change in accounting principle. Other highlights in the notes on page 35; these are schedules showing the pay down of debt for the current year in your governmental activities. You see in that first table at the top approximately \$1.07 million was paid down on general obligation bonds, Series 2011 A and 2011 B and at the bottom you'll see another \$291,000 that was paid down during the current Fiscal Year for Capital Leases and the only Lease outstanding at June 30, 2014 for your governmental activity is that Capital Lease for the Settlers Point Business Park and that's \$722,000. That's down significantly from what prior years balances. Also on Page 37, there are some significant debt transactions in your Sewer Fund. You'll see the \$3.5 million on the

Section Schedule; \$3.68 million was paid down and there was another \$2.8 issued; a net decrease there of approximately \$894,000 in long term debt for Sewer Fund activities. With that I'd like to direct you to page 42 and I just want to highlight that for next year there are some changes in accounting principles related to pension accounting and on Page 42 you'll see at the bottom of the page these are CERS numbers (Kentucky Retirement System) for County Employees Retirement System pension fund and insurance fund; if you look at the second item down in that first column unfunded liability of this fund and these are billions of dollars; this change in accounting principle that is coming next year is basically going to let cities and local governments know what their portion of that unfunded liability is based on all people who have participated in that plan and they are going to push that down to the employer/sponsors that are making contributions to that plan so it could be a very significant number but that will be something you'll be provided from KERS and you'll have to apply that percentage to the unfunded liability and it will go on basically your government wide financial statements; you won't see it in your budget. It won't impact your normal Financial Statements that you see. It will just be in your government wide financial statements but it could be a very significant number. I just wanted to let you all know that; Bob is aware of that so it is something that could significantly impact the Financial Statement going forward. That is really most of the high points that I wanted to cover tonight. Obviously if you have any questions I'm always available. Any questions now on anything I've gone over on anything you've seen? Mayor Ellis: Per the Ordinance we have to vote to accept this by the end of the year. Dana Bischoff James: I just want to restate or reiterate on Page 10 under Economic Factors, Next Year's Budget and Tax Rates item number 6 I just want to restate that Property Tax was decreased. I just want to make sure that's noted and it is documented. Gloria Taft made motion to accept. Dana Bischoff James 2nd. Motion carried 4-0-2 absent.

City Attorney Joe Wantland had second reading of Ordinance 014-(number to be assigned) for the imposition of system development fees of real property connecting to, and use of service, to the "Jim Beam Sanitary Sewer" line now referred to as the Shepherdsville South Bullitt Interceptor Line and as agreed by the City and Salt River Investments Inc. by contract dated April 27, 2009; given first reading on November 24th; second reading on December 29th. Faith Portman: Is this the average price we've always charged? City Attorney Wantland: I want to compliment the Corporate entity, Salt River Investments Inc., Jim Rice, also associated with the Flynn Group, based on acreage they could have asked approximately \$4700 per acre; the City has made a substantial contribution in to this area and it is in the County not in the City; but in 2009 evidently this City placed a sanitary sewer line in the County without any vehicle to recoup the money that the City had paid in this area. That's why I brought it up because April 27, 2009. The Corporate entity, Bourbon Trail Business Park and I say Jim Rice and Jesse Flynn was willing to reduce the amount of contribution that company had made on that interceptor; it could have been \$4700 per acre easily and the corporate sponsor went down and said this City is desperate to sell connecting fees on that line. There is \$9 million that's been invested in the County on this line. The foresight to have the line there is good but without a plan to recoup that it was a very dangerous thing to do. What we're talking about is yes Mrs. Portman it is less and it is less because the corporate sponsor agreed to that sum. Jose' Cubero: So this was never established when we did the line? City Attorney Wantland: It should have been established in April 27, 2009 not in 2014. That was the point I was making. It should have been done a long time ago and why corporate council for the City did not approach that at that point I do not have an explanation. Faith Portman: How much did Jim Beam pay? Did they pay \$4700? City Attorney Wantland: They paid a substantial amount. Faith Portman: Per acre. City Attorney Wantland: They don't do it; they pay on a usage basis. Mayor Ellis: When they originally did the project they paid over \$1 million. Faith Portman: I knew that; I just want the public to know. Mayor Ellis: Beam paid over \$1 million when the project was originally done; Flynn paid \$500,000; \$100,000 a year for five years; and this is to even everybody that starts to build and tap on to this line. Faith Portman: Chuck how does Scott feel about this do you know? Chuck Keith: We've talked about it; he feels like we should stay with the original study but that's up to you all. Mayor Ellis: Do you remember what the original study was Chuck? Chuck Keith: I wasn't in on a lot of the meetings but I'm thinking it was like \$7100 an acre. Gloria Taft: I thought it was \$4300. Dana Bischoff James: We sat down with them and when we discussed it I was leaning toward the higher amount just to keep it fair but this is very reasonable. We hashed out the numbers and this is an extremely conservative number. It's not on the high end by any means. Faith Portman: I wasn't in on any meetings; I didn't know about them. I probably would have asked a few questions too. City Attorney Wantland: This is part of a contract; that's why the

number had to be negotiated with Jim Rice, Jesse Flynn. I'm trying to explain the best I can to the audience, the City is in a position, a very vulnerable position, we're very vulnerable because of the Jim Beam line. If Beam would cease their operations for any period of time there is potential of raising your sewer rates to meet that revenue of approximately 20-25%. This Agreement in 2009 Mrs. Portman was not thought through on the City's end. In speaking with Flynn, Jim Rice particularly, they were very generous and said the situation is this; the City has not sold one connecting fee on that line in five years. The City is in competition with all over this Country for business and for development. To make it more attractive we need to keep that number lower rather than higher hoping to attract people to come in to this Community. And again we haven't had one connection to a \$9 million sewer line in five years and I compliment the Flynn and Rice people for working with us knowing that we need to have sewer customers on that line to make it possible for this Community to recoup the money that was spend in 2009. Jose' Cubero made motion to accept. Dana Bischoff James 2nd. Motion carried 3 in favor; 1 opposed; 2 absent.

City Attorney Wantland had first reading of Ordinance 014-(number to be assigned) Amending Ordinance 003-575, 005-668 and 011-078 relating to the imposition and administration of an Occupational License requirement, and payment of an Occupational License Tax by persons and business entities conducting businesses, occupations and professions within the City of Shepherdsville, KY at the rate of Occupational Tax to 1-1/2% removing any termination date. Mayor Ellis stated the second reading would be December 30th, 6:30 at City Hall.

City Attorney Wantland had first reading of Ordinance 014-(number to be assigned) approving a Lease Agreement with Republic Bank & Trust Company to finance the acquisition of five police interceptor vehicles, in a maximum principal amount not to exceed \$218,260. Mayor Ellis stated the second reading would be December 30th, 6:30 at City Hall. City Attorney Wantland: Dan Patchin, just for information, this project is being funded with monies being collected by activities our Police Department is doing and charging for these services and none of the money on this Lease is going to be coming out of the taxes that are going into the General Fund. This money is going to be paid solely from the efforts of the Police Department in their service activities. Lt. Col. Dan Patchin: Correct. City Attorney Wantland: I just want that out there; we don't anticipate any money coming out of the General Fund at all; this is going to be funded strictly from the services provided by our Police Department to the citizens.

Mayor Ellis: Chief Troutman has requested to address the Council tonight. Fire Chief Troutman: I wanted to talk to the Council tonight in reference to the Mitigation funds. For the last four years you all know that I have been very "penny pinching" with my budget anytime we purchase anything and years ago when we came up with the Mitigation Account and it was put in to effect it was set up that I had to come in front of the Council every time that I needed to get something out of it for mitigations to replenish the equipment that we get; it also helps pay for training for our personnel; it purchases rescue equipment, hazmat equipment, things of that nature for the Department. What I'm asking is that instead of having to come in front of the Council every single time we need something out of it; if we could start going through the Mayor and have him approve those and just notify the Council of what we're actually taking out of it. Jose' Cubero: So you'll always have balances of what is spent? That's the information we need. It's a formality. Chief Troutman: Right. Gloria Taft: Would you be giving us written reports at the end of the month like we get from Bob? With a beginning balance, we purchased these things, and here is what's remaining. Chief Troutman: I can give it to you monthly or I can give it to you quarterly because we don't use a whole lot out of it. There is right at \$40,000 that we've collected in to that account right now; and like I said we don't use a lot out of it it's mostly used to replenish the stuff that we use out on the roadway for mitigations and hazmat's; we use if for trainings occasionally; and sometimes there are classes that come up that we don't know about that we find out about at the last minute and we miss out on a lot of training that way by having to come to the Council and getting it approved because there is no meeting coming up at that time. Dana Bischoff James: Can we hold this vote until tomorrow night just so that we can just kind of talk ... City Attorney Wantland: Would you come back perhaps; it's our first meeting but I'm looking for you to have a limitation or a ceiling on how much money could be appropriated without Council approval. Chief Troutman: That's fine. City Attorney Wantland: I don't want you missing out on training. Chief Troutman: There are classes that will come up at the last minute and I don't have time to get it on the Agenda. City Attorney Wantland: I

understand; the question is how much are we talking about? Right now with what we're having in this Community people are going to be very suspect of not having control of the money. Faith Portman: I was going to day; I mean I'm not going to be here so I really don't have a dog in the fight but as a taxpayer if it's not reported to the public to me it seems underhanded. So I mean I don't have a problem with that as long as you're giving Tom an update on what you're doing and what the public thinks about it. Chief Troutman: That's fine. City Attorney Wantland: We do need to have a ceiling on it; that you cannot without prior Council approval cannot spend x amount of dollars. Chief Troutman: I agree with that too. Jose' Cubero: Is most of your short notice on training? Is that normally the case? Chief Troutman: That or if we have a large incident on the Interstate where we use a lot of our haz-dry or pads and stuff of that nature; we're out and it may be a month before we have the next Council meeting. Dana Bischoff James: Maybe we need to add a line item because you should be able to get the equipment that's needed; maybe that needs to go in your Budget; because that's something you do need access. If you run out of something and you all need it; maybe we need to speak about amending your budget so that you have access to those funds because you shouldn't ever be left without the supplies and resources to be successful. Chief Troutman: That's what we're trying to avoid. Dana Bischoff James: Maybe we need to relook at the Budget and speak with Bob and see about redoing that to make sure you have what's needed. I would like just a little bit of time; not to make a vote tonight but I don't think we've ever, this Council we've always backed you and supported you. Chief Troutman: You have, it's just the timing. Dana Bischoff James: Also we probably had more of a line of communication with you than the various Departments because of the Mitigation fund. That's my recommendation, just so that we have a little bit of time to look at all options.

Jose' Cubero made motion to adjourn. Dana Bischoff James 2nd. Motion carried 4-0-2 absent. Meeting adjourned at 7:25 p.m.

R. Scott Ellis III, Mayor

Attest: _____
Brenda Weidekamp, Deputy City Clerk