City of Milton-Freewater
City Council Minutes

OATH OF OFFICE

At 6:50 p.m. Orrin Lyon – Councilor Ward 1 Position and Edwin E. Chesnut - Councilor At Large Position #3, were sworn into their respective offices by City Manager and Notary Public Linda Hall.

The Council of the City of Milton-Freewater met Monday, January 10, 2011 at 7:00 p.m. in the Albee Room of the Library.

The following members were present: Mayor Lewis Key, Councilors Orrin Lyon, Ed Chesnut, Sam Hopkins-Hubbard, Jeff Anliker and Brad Humbert.

Councilor Steve Irving was absent.

Staff members present were: City Manager Linda Hall, City Recorder Leanne Steadman and Public Works Superintendent Dave Bradshaw.

Citizens present were: Steven Patten, Tara Patten and Merle Sherman.

Press member Melanie Hall of the Valley Herald was present.

CONSENT CALENDAR ITEMS:

The consent calendar items consisted of council minutes from the December 13, 2010 meeting and accounts payable from December 8, 2010 through January 5, 2011.

Councilor Anliker motioned to approve the consent calendar items. Councilor Humbert seconded the motion which passed unanimously.

BUSINESS ITEMS:

ELECTION OF COUNCIL PRESIDENT

City Manager Hall stated that the City's Charter requires the election of a Council President from their membership at the first council meeting of each odd-numbered year. Councilor Lyon has served the past two years and has indicated he would be willing to continue to serve in that role.

Councilor Humbert made a motion to nominate Councilor Lyon as Council President. Councilor Anliker seconded the motion which passed unanimously with Councilor Lyon abstaining from the vote.

RESOLUTION NO. 2196 – AUTHORIZING SIGNATURE TO THE 2010 EURUS GRANT ACCEPTANCE AGREEMENT FOR THE REPLACEMENT OF THE SOLAR BLANKET COVER AT THE AQUATIC CENTER IN THE AMOUNT OF $10,000

Public Works Superintendent Dave Bradshaw explained the Aquatic Center will be entering into its 16th operating season. The pool covers being used are the original covers and are showing wear and tear. The solar covers are used to help retain heat in the water and to help keep debris out. Staff has applied for grant funding through the Eurus Community Benefit Plan Grant and has been notified of an award of $10,000 in grant funds. In 2009 the city was awarded $4,000 from the Eurus Community Benefit Plan which helped pay for large umbrellas and new poolside lounge chairs.

Councilor Chesnut motioned to adopt Resolution No. 2196, A Resolution Authorizing Signature to the 2010 Eurus Community Benefit Plan Grant Agreement for the replacement of the solar blanket covers at the Aquatic Center in the amount of $10,000. Councilor Lyon seconded the motion which passed unanimously.

ACCEPTANCE OF DEDICATION OF RIGHT OF WAY FOR N.W. 1ST AVENUE.

Manager Hall reported she had received a letter from Umatilla County Counsel Doug Olson explaining they had acquired a tax lot for delinquent property taxes. The tax lot was 20 foot wide and was a portion of the existing N.W. 1st Avenue. Upon further research, it appears that the City has been using the area and has been maintaining the street. Water and sewer lines have been placed under the pavement. The County is in favor of deeding the area to the City at no cost. Staff is certainly in favor of accepting the dedication of right of way since its being used and maintained already by the city.

Councilor Chesnut motion to accept the dedication of right of way for N.W. 1st Avenue. Councilor Humbert seconded the motion which passed unanimously.

MOTION TO ACCEPT CITY AUDIT FINDINGS FOR FISCAL YEAR 2010

Manager Hall presented the city audit findings for fiscal year 2010 performed by Dickey and Tremper, LLP auditing firm of Pendleton, Oregon. She first explained that the Comprehensive Annual Financial Report (CAFR) was one of the best tools that showed a true reflection of the city's financial status and that the report was available to be reviewed by citizens during normal business hours. She then explained that there was a lot of work in preparing for the auditors visit. For example, this year the Finance Director and Accounting Supervisor prepared over 75 separate schedules of financial records for the audit team prior to their on-site visit. The auditors, a team of three to four members spend about three weeks reviewing the City's financial records, accounting systems and policies, cash holdings, banking transactions, and asset and inventory control along with performing single audits for qualifying grant awards. Manager Hall addressed each finding from the auditor's report. Following is a summary of the oral report with the findings addressed.

1) *Year end financial reporting adjustments needed to accrue June's State Gas Tax Revenues received in late July back to the previous fiscal year's revenues.* Manager Hall explained meeting this deadline can be difficult. Many of our State of Oregon revenues come in several months past the date that the city expects them to. In order to close out the month and year end there must be a finite date to accrue the funds in order to close out that year. If these funds come in after the closing date then a manual adjustment must be made. She noted there were no funds missing or unaccounted for.

2) *Capital assets were not adjusted in a timely manner.* The city's capitalization policy is that individual assets purchased for over $5,000 would be listed as a capital item. Having a policy with a finite dollar amount doesn't make the program black and white. For example, if a piece of equipment was purchased for the substation and its cost was over $5,000, that piece of equipment would not necessarily be listed on the capital list. The whole entire substation would be listed as a marketable item. Manager Hall explained the auditor suggested increasing the capital asset amount to $25,000 or $30,000. She expressed she was not comfortable with increasing the amount because it would mean items valued under $25,000 would not be tracked and recommended leaving it at $5,000. She addressed the purchase of the two vehicles listed in the auditor's report. The handicap accessible van which was received through grant funding to purchase and a used fire engine, both items were awarded by city council and are listed on the capital item list.

3) *Adjustments required to the inventory for utilities to account for obsolete inventory approved for surplus.* The council adopted a resolution declaring unused inventory items to be obsolete.

Once this has been approved, those items need to be taken off the master inventory list. The audit team found that those items were not taken off and an adjustment was needed.
4) *The City does not reconcile restricted fund balances except at year end with audit procedures.* Currently the utility infrastructure improvement fees and system development fees are accounted for in line items within the expenditure and revenue budgets of the individual benefitting utilities. The auditor has suggested creating a separate program for these. Mainly create a separate page in the budget book showing the revenue and expenditure. When these fees were originally approved by the city council, the resolutions had strict parameters and guidelines of what the funds could be used for. Since the creation of the fees, all funds have been spent on utility infrastructure and have been noted in the budget as to what the funds were being spent on. The most recent expenditure of the funds has been the matching grant funds to upgrade the electric and water meters due to the Smart Grid Meter Automation project. Manager Hall said she was not opposed to creating a separate program as the auditor has suggested. The funds are currently being accounted for correctly and the only change to the procedure would be where they were located in the budget book.

Once last item Manager Hall addressed pertaining to the audit was the need for single audits to be performed on some large grant awards the city had be awarded. The single audits were for the American Recovery and Reinvestment Act Smart Grid Grant, Department of Energy Building Improvement Grant and the Community Development Block Grant. There were no findings in any of these single audits. She attributed this rare feat to her staff, specifically Leanne Steadman, Krista Sheridan, Teresa Dutcher, Pat Didion, Dave Bradshaw, Barbara Chadek and Mike Charlo.

Councilor Chesnut motion to accept the City audit findings for fiscal year 2010. Councilor Humbert seconded the motion which passed unanimously.

Manager Hall specifically stated that if council wanted to have the auditor come and do a presentation she would certainly set that up for a future council meeting.

MANAGER'S REPORT

Manager Hall had previously asked the city council if they would like for her to remain as the representative on the Greater Eastern Oregon Development Corporation board. Council consensus was for her to remain on the board.

Manager Hall invited the city council to stop by City Hall to take a look at the work of the Public Works crew. They are tearing out the old lath and plaster and exposing the brick. She expressed how lucky the city was to have such talented employees and that it was saving the city a lot of money by not having to contract out the work being done.

The December 2010 department financial spreadsheet was passed out to council to show the comparison of December 2009 and December 2010 balances. She said she was most concerned with the general fund balance but was thankful that most of the department balances had increased over the year.

There being no further business the meeting was adjourned to an Urban Renewal Agency meeting at 7:43 p.m.

_____

Lewis S. Key, Mayor