

A regular meeting of the City Council of the City of Iola was held on December 12, 2011 at 6:00 p.m., at the Riverside Park Community Building, 600 S State, Iola, and Kansas.

### **CALL MEETING TO ORDER**

Mayor Shirley called the meeting to order at 6:00 p.m.

### **ROLL CALL**

Mayor Shirley, Council Members Becker, Kilby, Wicoff, Rowe, Stewart, Callahan, French and Franklin were present. Also present were Administrator Slaugh, Attorney Apt and City Clerk Hutton.

### **REVIEW & APPROVAL OF AGENDA**

A motion was made by Council Member Becker to approve the agenda as presented. Motion seconded by Council Member Stewart. The vote was eight ayes.

### **PUBLIC COMMENTS**

- Ray Houser on behalf of Donna Houser asked the council to respect and care for the city employees. He is totally against another audit stating it would be disrespectful to past commissioners.
- Sharon Boan wished the council a Merry Christmas and stated she supported a raise for city employees. They are our biggest asset and they do a great job.
- Bob Chase noted that he was impressed with the letter to the forum from Judy Brigham. He also voiced his opposition for another audit, which would be an expense to the city. Noted that gossip is going on in barbershops and coffee shops where women are not respected. The professionalism of Ms. Brigham is outstanding. Sexual harassment should not take place and those that are responsible should stand up to it, women deserve respect. Businesses that are looking at locating in Iola need to feel like it is a place where others are treated right including city employees.

### **CONSENT AGENDA**

- A. Minutes Approval** –November 28, 2011
- B. Appropriations Approval** – 2011-23
- C. Personnel Actions** –

- Dustin Stone – Solid Waste – Six Month Evaluation
- Anthony Maness – Police – Position Change
- Anthony Maness – Police - Resignation

#### **D. CMB Applications**

- For Sale in unopened containers not for consumption on premises:

- Ray's Mini Mart
- Pump N Pete's
- Jump Start Travel Center
- Wal-Mart
- Casey's

For Sale for consumption on premises:

- Cedarbrook Golf Course
- China Palace
- Country Lanes
- Coronado's
- Denny's
- El Charro
- Pizza Hut
- Sidelines
- 5 O'Clock Somewhere

Council Member French questioned the two personnel actions on the same employee. It was noted that he wanted to move to days and then decided he was going to take another job. The opening would be a night officer position. Council Member Callahan questioned the property taxes for the various counties. City Clerk Hutton explained that this is based on natural gas in storage in 2010. Council Member Callahan asked if they could see the gas storage total for these bills. Motion made by Council Member Stewart to approve the Consent Agenda. Motion seconded by Council Member French. All in favor. Motion carried.

#### **ROUNDTABLE**

A. **2010 Audit Discussion – Brian Nyp** – Brian noted that his firm(Lowenthal, Webb and Odermann) had done the yearly audits for the city for the years 2004,2008, 2009, and 2010. When asked about the funds showing a negative balance. Brian explained that this was created by cash flow not coming in as expected. A deficiency was noted in the transfer of funds from the utility funds need to have a policy in place designating surplus funds and then transfer funds to the general fund and disperse from the general fund. Reminded council members that since the city is on a cash basis, gas that is in storage will not be shown on the financial reports.

- Council Member Becker asked Brian if \$1,000,000.00 was missing every year would the auditors catch it? Brian Nyp noted that it is something that would show up also when the money is transferred to the general fund the audit traces those funds to the receiving fund and it was an authorized transfer by the former commission. Council Member Becker then inquired about a balance sheet and asked if money was transferred into the water department

from the wastewater department would that be counted as a revenue for the water department. Brian explained that this would be counted as revenue, however it would not be considered an asset since the city is on cash basis.

- Council Member Callahan inquired about the budget worksheets showing \$4 million dollars that was to be set-aside for electric generation at \$1 million each year. Brian Nyp explained that the auditors do not audit budget work sheets. They only make sure that the money expended was authorized by the budget. He went on to explain that this happens in cities a lot where the goal is to set aside money however other expenses come up and the money has to be spent. Council Member Callahan then asked if it was normal to continue to show that the money was there when the money was not actually set aside. Brian Nyp stated that it would be started over, not a running total if the money was not set aside. Council Member Callahan asked whose responsibility it was to correct the negative cash balances at the end of the year that created a lower S&P rating. Brian Nyp explained that is a management decision and to correct the negative cash balance it would create another deficiency by transferring from utility funds.
- Council Member Becker asked Brian if he has ever seen other cities have an audit done when there is a change in management. Brian Nyp stated he has only seen it one time.
- Judge Saxton stated that in his 20 years of service as the Iola Municipal Court Judge the auditor has never spoken to him. He stated that he has an independent software program that he reconciles with the court clerk's program. Brian Nyp stated that he was never told this and they meet with the court clerk every year.
- Administrator Slauch asked if the city were to adopt a policy that designated reserve balances in the enterprise funds could the city then move the funds to other funds. Brian noted that this would be best.
- Administrator Slauch asked what Brian would recommend in lieu of agreed upon procedures for a "special audit"? Brian Nyp stated that the council should ask the regular auditor to check on certain items that cause them concern.
- Council Member Rowe stated that Brian Nyp is saying that staff should have known that they should have made adjustments and that this is not supposed to be done by the auditor. Brian Nyp stated the auditors job is to perform an audit of the financial statements not make management decisions.
- Council Member Callahan asked for a copy of the management letters from the 2008-2010 audits. Brian stated he would leave copies at the meeting. Council Member Callahan then said that he had spoken to other CPA's and they had indicated that the work done by the annual audit is just a spot check of the books and procedures which every city is required to do and wondered if they would be able to find fraud. Brian Nyp stated that is not a correct statement. The audit performed by them checks the internal controls of the city which would like lead them to possible fraud within the books, however if someone was defrauding the city on a kickback situation that would not be detected unless someone came forward that had additional knowledge and proof.

- Administrator Slaugh asked if they check for fraud on large purchases and the bid process. Brian Nyp stated that the auditors check all large capital purchases and big projects.
- Sharon Boan asked why the negative balances were carried forward year after year. Brian Nyp stated that following the next budget process the council members will discover that without raising the mill levy they would see how difficult it is to meet expenditures without the transfers taking place.
- Council Member Callahan noted that there was sufficient cash to cover the negative cash balances for 2010.
- Council Member Becker noted that it was the cities decision to decide to leave them as is instead of transferring money from utility funds. The water fund negative balance was due to the former commission not increasing the water rates.
- Administrator Slaugh asked if the city changed the books now would the audit be able to be changed? Brian Nyp stated yes, however that is not the only reason for the Standard and Poors low rating.

**B. Special Audit Discussions-** Council member Callahan made a motion to table this item until Scot Loyd could get together with council to pinpoint the direction on this item. Motion seconded by Council Member Franklin. Discussion followed the motion. Voting in favor of the motion were council members: Rowe, Callahan, Kilby, Franklin and French. Voting against the motion were council members: Stewart, Wicoff and Becker. Motion passed by majority vote.

- Council Member Wicoff stated that it would be a waste of money after Brian Nyp's report tonight. Would like the council to reconsider tabling it permanently.
- Council Member Callahan asked Council Member Wicoff to explain what made him think that. The auditor presented more information here tonight than he did when he was in attendance to present the audit. Council Member Wicoff felt like it was a waste of funds.
- Council Member Callahan would like Scot Loyd to look at the information we have and make a decision based upon this.

**C. Water Plant Refinance -** Administrator Slaugh noted that Standard & Poors will reconsider rating after two years and they are not sure that correcting the negative cash balances would change the rating. Administrator Slaugh would like to work on the 2013 budget and proceed with refinance and obtain the bond insurance at \$97,000. If the interest rate does not come back favorable the insurance will not have to be purchased. Council Member French made a motion to approve the bond insurance for the projected amount of \$97,000 and authorize the mayor to sign the commitment letter of assured guaranty Municipal Corporation and solicit bids for the bonds. Motion seconded by Council Member Callahan. All in favor. Motion carried.

## NEW BUSINESS

- A. Kansas Pride Program - Resolution** – It is the recommendation of the CITF to become a Kansas Pride City. Barbara Anderson from CITF gave an overview of the program. Would not keep the Iola Pride Committee from continuing in the same manner that they are now. It would open up avenues to be recognized and possibility of grant money. There would be no cost to the city. Council Member Franklin made a motion to adopt the resolution making Iola part of the Kansas Pride Program. Motion seconded by Council Member Stewart. All in favor. Motion carried.
- B. City Facilities Rentals - Discussions** – Recreation Director Luke Bycroft and Parks/Cemetery Director Berkley Kerr stated their concerns of renting out the recreation building for public profitable events. Some of the concerns noted were:
- The building is reserved most of the time already, if allowed for profits it would make the non-profits have to search for other facilities including those sponsored by the city.
  - Cleaning of the facility could run into some overtime issues if the facility is needed the next day or even later that same day.
  - Greater wear and tear on the facility.
  - Council Member Becker asked how much the floor had cost. The floor cost \$100,000, therefore would \$300 rent take care of the expenses incurred for damages.
  - Council Member Franklin noted that there would not be any more traffic than the fair or expo for an auction. Berkley Kerr noted that was true, however the moving in and out of stuff is controlled in these two situations.
  - Council Member Callahan noted that the city would need to weigh the increased revenue with the wear and tear risk. Berkley noted that the commission had been asked in the past to increase rates to generate more revenue and the commission was against raising rates. Council Member French wondered if the North Community Building could be used on a temporary basis for retail to see how it would go.
  - Bob Chase noted that it is a benefit for the taxpayers to be able to rent the buildings at a reasonable cost and to open up to profitable business would limit the use for the public and could possibly hinder the local retail businesses.
  - Due to the lack of a motion, no action to change current policy was taken on this item.
- C. CDBG Housing Grant - Discussions** – Code Enforcement Officer, Jeff Bauer noted that they are requesting an extension of the grant for six months to allow more homeowners to take advantage of the program and would ask the council to approve the lowest bid on the two properties. Council Member Stewart made a motion to have the Mayor sign the letter extending the grant for six months. Motion seconded by Council Member

French. All in favor. Motion carried. Motion made by Council Member Stewart to accept the lowest bids for the projects on 311 S Third and 310 S Fourth. Motion seconded by Council Member Franklin. All in favor. Motion carried.

**D. Dangerous / Unsafe Structures – Jeff Bauer** Homeowners at the properties for 814 South Street, 512 N Sycamore, 706 S Chestnut, 624 S Chestnut and 411 W Campbell did not carry out the order to remove the structures, therefore the city took bids to remove the structures. Shaun Muncy came in with the lowest of the bids. It was noted that he probably switched the two properties on S. Chestnut. Motion was made by Council Member Franklin to continue with removal of the properties hiring the lowest bidder Shaun Muncy to do the work. Motion seconded by Council Member Stewart. All in favor. Motion carried.

**E. GAAP Waiver – Resolution** – City Clerk Hutton explained that the city must pass this resolution in order to work under the cash basis form of accounting as opposed to the Generally Accepted Accounting Procedures (GAAP). Extra costs are incurred following GAAP because the city has to budget for continual maintenance costs of streets and all infrastructures. Motion made by Council Member Stewart to approve the GAAP resolution. Motion seconded by Council Member Franklin. All in favor. Motion carried.

Mayor Shirley declared a five-minute break at 7:46 p.m.

## **UNFINISHED BUSINESS**

**A. Water Rights Dismissal** - Water Plant Supervisor Toby Ross informed the council that the water right remaining from the steam generation plant would only be about a seven-hour usage for the city. At a cost of \$500 to change the rights and over \$8,000 to put in a meter plus the \$5,200 to the assurance district the costs do not offset the amount of water. Council Member Rowe asked why the city has continued to pay the assurance district following the flood of 2007 when the steam generators were removed from operation. Toby noted that if the city has the water rights they must pay for assurance. Council Member Rowe stated that he had spoken to Kansas Department of Agriculture and they stated we wouldn't have to install the meter until the water was needed. Toby explained that the letter clearly states that the meter must be installed in order to keep the rights. Motion made by Council Member French to authorize the mayor to sign the voluntary waiver of hearing and dismissal of the water rights. Motion seconded by Council Member Franklin. All in favor. Motion carried. Iola Industries has also offered their water rights south of town; this would include taking charge of three dams. Motion made by Council Member French and seconded by Council Member Becker not to entertain taking over the water rights Iola Industries is offering. All in favor. Motion carried.

**B. 2011 Budget Amendments** – City Clerk Hutton and Administrator Slaugh reviewed the budget amendments. Council Member Callahan noted that the auditor recommended making transfers to general and then transferring to the other funds. City Clerk Hutton stated that the statute did not say that transfers could only be made this way but would do so if this is the recommendation of the auditor, noting that the general fund budget amendment would be quite large due to this. Council Member Callahan made a motion to set the public hearing for the budget amendments for December 27<sup>th</sup> at 6:00 p.m. making the transfers to the general fund and then transferring to the other funds. Motion seconded by Council Member Stewart. All in favor. Motion carried.

**C. 2012 COLA Discussions** – Assistant Administrator Schinstock gave an overview of the payroll information he and Council Member Callahan had reviewed.

- Council Member Rowe asked how we could give the COLA when we have spent money that was not budgeted already. Council Member Rowe made a motion to give the employees a 2.5% COLA. Motion died for lack of a second.
- Council Member Callahan noted that for the last three years a trend has shown a \$50,000 decrease in salaries. If this trend holds he would like to purpose a 2% increase now and if the trend holds until the end of the year employees would receive another 2% lump sum payment. Noting that if the trend holds and all employees can keep overtime down this would show that every employee is worth more.
- Council Member French noted that KPERs is continuing to look into options and if they increase by 2% as suggested employees would totally loose their increase.
- Administrator Slaugh noted that two positions in the 2012 budget would not be filled those being the GIS position and the ½ time police ½ time court clerk. This would provide the increased COLA amount from 2.5 to 3.6%.
- Council Member Callahan noted that eliminating the court position would go against the auditor recommendation.
- Council Member Rowe wondered what the logistics would be by implementing a percentage now and if employees hold line on salaries they would be paid out the extra percentage at the end of the year.
- Council Member Wicoff noted that it would be a boost to employee morale to give the employees the 3.6%. Council Member Wicoff made a motion to give the employees a 3.6% COLA effective January 1, 2012. Motion seconded by Council Member Stewart. All in favor. Motion carried.
- Council Member Franklin inquired about the hiring freeze. Administrator Slaugh stated that it was his intent to begin hiring after the first of the year.

## **COUNCIL & ADMINISTRATOR REPORTS**

- A. Mayor Shirley** – Noted that it is his desire to continue to allow input from the audience. Bill Maness, Kent Tomson and he met with USDA-RD officials about a possible \$400,000 grant to cover upgrade costs to the Bassett substation.
- B. Council Member Stewart** – None
- C. Council Member Callahan** – Would like a 15-minute non-elected personnel executive session.
- D. Council Member Wicoff** – None.
- E. Council Member Franklin** – Coterie met trying to get newcomers to town to attend. 32 people attended, It was very successful and would like to have a way to reach out to new people in town. City Clerk Hutton noted that her staff could hand out information when they are signing up for utilities.
- F. Council Member Kilby** – None
- G. Council Member Becker** – None
- H. Council Member Rowe** – None
- I. Council Member French** – Recommended fire works sale and shooting be put on the agenda for January or February.
- J. Administrator Slaugh** –
- KPP letter was sent.
  - KPP Christmas dinner will be held December 20<sup>th</sup> in Wichita anyone wanting to attend needs to RSVP by Wednesday.
  - Contract signed with Mid States for the Bassett work. Notice to proceed will be issued when bond documents are received.
  - Need an executive session for non-elected personnel.

### **EXECUTIVE SESSION – Attorney / Client 9:06 p.m. K.S.A.75-4319**

Motion was made by Council Member Stewart and seconded by Council Member French to recess into “Executive Session” for the purpose of conducting a meeting to discuss Attorney / Client Matters. All in favor. Motion carried. Present: Mayor Shirley, Council Members, Administrator Slaugh and Attorney Apt. The open meeting to resume in the Commission Room at 9:16 p.m.

**EXECUTIVE SESSION – Non-Elected Personnel 9:16 p.m. K.S.A.75-4319**

Motion was made by Council Member Callahan and seconded by Council Member Rowe to recess into “Executive Session” for the purpose of conducting a meeting to discuss Non-Elected Personnel. Voting in favor of the motion were council members Rowe, Callahan, Kilby, Stewart, and French. Motion carried by a majority vote. Present: Mayor Shirley, Council Members, and Administrator Slaugh. The open meeting to resume in the Commission Room at 9:31 p.m.

9:30 p.m. Administrator Slaugh left the executive session.

**EXECUTIVE SESSION – Non-Elected Personnel 9:35 p.m. K.S.A.75-4319**

Motion was made by Council Member Wicoff and seconded by Council Member Rowe to recess into “Executive Session” for the purpose of conducting a meeting to discuss Non-Elected Personnel. Voting in favor of the motion were council members Rowe, Callahan, Kilby, Stewart, and French. Motion carried by a majority vote. Present: Mayor Shirley, and Council Members. The open meeting to resume in the Commission Room at 9:50 p.m.

**DATE / TIME OF NEXT MEETING**

City Council Meeting 6:00 p.m. Tuesday, December 27th, 2011

City Council Meeting 6:00 p.m. Monday, January 9<sup>th</sup>, 2012

**ADJOURNMENT**

**9:53 p.m.** Motion made by Council Member Kilby and was seconded by Council Member Callahan to adjourn the meeting. The vote was eight ayes. As the vote was unanimous, the meeting was declared adjourned.

Approved by the City Council of the City of Iola, Kansas this 27<sup>th</sup> day of December 2011.

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Mayor, William A. Shirley

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City Clerk, Roxanne Hutton