

**CITY OF JOHN DAY  
CITY COUNCIL MINUTES  
JOHN DAY, OREGON**

**November 12, 2013**

**Adjourned Meeting**

**COUNCILORS PRESENT:**

Ron Lundbom, Mayor  
Steve Schuette, Council President  
Gene Officer, Councilor  
Donn Willey, Councilor  
Paul Smith, Councilor  
Doug Gochnour, Councilor

**COUNCILORS ABSENT:**

Don Caldwell, Councilor

**STAFF PRESENT:**

Peggy Gray, City Manager  
David Holland, Public Works Director  
Valerie Luttrell, Dispatch Manager  
Richard Gray, Acting Police Chief

**GUESTS PRESENT:**

Anna Bass, Oster Professional Group  
Amy Walker, Oster Professional Group  
Kent Bailey, Guyer & Associates

**Agenda Item No. 1 – Open and Note Attendance**

The John Day City Council meeting opened at 7:00 p.m. Mayor Ron Lundbom noted that all Councilors were present with the exception of Councilor Don Caldwell who was absent and excused.

**Agenda Item No. 2 – Approval of City Council Minutes of October 22, 2013**

The minutes of the October 22, 2013 adjourned meeting were included in the agenda packets and presented for the Council's approval. **Councilor Doug Gochnour made a motion that the minutes of October 22, 2013 be approved as presented; Councilor Paul Smith seconded the motion. The motion passed unanimously.**

**Agenda Item No. 3 - Appearance of Interested Citizens**

Mayor Ron Lundbom welcomed those in attendance and asked everyone to please sign in. He asked if there were any additional items that anyone would like to add to the agenda. There were none presented.

**Agenda Item No. 4 – Discuss for Approval the Fiscal Year 2013 Audit by Guyer & Associates**

City Manager Gray introduced Mr. Kent Bailey of Guyer & Associates. Mr. Bailey presented the City Council with a “management letter” and stated the purpose of the letter is to explain their roles and responsibilities as auditors. The letter speaks of the scope of the audit and significant audit findings. Mr. Bailey stated the law requires the auditor to inform the people who are responsible for the financial statements if there is a disagreement with management during the audit. Mr. Bailey informed the City Council that there were no difficulties with management encountered in performing the audit.

Mr. Bailey stated he interviewed Mayor Lundbom while he was here in order to get a feel of what was going on in the community. Mr. Bailey stated that during the audit, they detected some misstatements, which have subsequently been corrected by management. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the statements as a whole.

Mr. Bailey stated the letter also addresses significant deficiencies and material weaknesses. This pertains to problems within the City’s accounting system; Mr. Bailey stated they found no such problems. That’s important because the way the City processes transactions, should give the City the ability to produce reliable financial statements.

The final item in the management letter was other audit findings or issues. During the audit Mr. Bailey stated they identified the below issue they recommend the City consider:

1. We reviewed 60 accounts payable transactions and 6 of those expenditures were incomplete for different reasons. Some transactions had incorrect account coding, some were missing the initials of the person authorizing the purchase and one was missing an invoice. None of these transactions deficiencies were considered a significant deficiency. We recommend the City of John Day staff be more careful in reviewing accounts payable voucher packages before checks are cut to strengthen the City’s internal controls.

Mr. Bailey stated he spoke with the City Manager about this issue. He asked staff to be a little more cautious; it is nothing to worry about but he wanted to wave a red flag to be a little more careful when processing payable vouchers.

Mr. Bailey walked through the Auditor’s Opinion letter in the printed audit report. It was the auditors opinion, the financial statements referred in the letter present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of John Day, Oregon, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United State of America.

Page 3 – Mr. Bailey referred to the document actually written by the City staff called the Management’s Discussion and Analysis. Under Financial Highlights, he wanted to point out that the City’s total net position decreased by \$213,100, or approximately 3.9 percent. The majority of this decrease can be attributed to a decline in net investment in capital assets. In other words, the depreciation on the City’s equipment and infrastructure (\$351,223) is more than the principal payments on the related debt (\$120,730).

Mr. Bailey stated on a cash basis the City grew stronger; however, with the deletion of the depreciation on the assets faster than what we are generating other increases on the assets; cash didn’t go up as much and the City didn’t buy other equipment.

Page 5 – Mr. Bailey explained the following changes in the net position of Government Activities:

The changes in revenues:

1. Total revenues were down \$23,799 which is a decrease of 2.1%.
2. Total expenses were up \$80,103 which is an increase of 6.4%.
3. The net position on a modified accrual basis decreased by \$103,902.

The changes in expenses:

4. General government expenses increased by \$20,710. This increase is largely due to an increase of \$14,598 in legal costs. Wages and benefits were up \$288 or .2% for the year. Expenses excluding legal were up 4.34%. It was noted the legal expenses were up mainly due to the Enviro Board contract, ATV ordinance, dangerous building legal expenses and the fire station bond measure.
5. Street expenses were up \$13,604 or 5.9% Wages and benefits actually declined by \$7,186.
6. Public Safety (police/fire) - increase was \$46,329 or 5.2% of this increase \$44,380 was related to wages and benefits. Mr. Bailey stated the rest of the expenses remained fairly flat.

The Business-Type Activities (water and sewer)

Change in net position as follows:

1. Revenues increased by \$65,659 primarily due to the rate increase enacted last year. This was a 6.7% increase.
2. Expenditures increased by \$2,141 or .2%.

Mr. Bailey stated the council can see the positive impact of raising the water and sewer rates one year ago in the financial statements. This year the City is in the black by \$33,992; the previous year the City was in the red by \$33,526.

Mr. Bailey explained you can compare the governmental activities to the business-type activities. The City lost revenue on the government side; however on the business activity side, the City gained revenue because we were able to raise revenue to counter balance and that is what the Council has to think about when you get ready to do the budget next year for 2014-2015. What can you do to adjust our revenues up and try to control expenses.

Mr. Bailey stated the City did make a good move in the healthcare cost area. The City plans to save \$30,000 annually by changing its health plan for employees to the High Deductible Health Plan (HDHP) with Health Savings Account (HSA) options. The HDHP will go into effect on January 2014.

Mr. Bailey highlighted the 911 fund as a significant issue. The 911 funds' fund balance decreased by almost \$83,000 in the current year. For the past two years the City has run about \$75,000 average decline in fund balance and the fund balance going into this year is only \$67,000. If the City continues to expend the same way as they have in the past year, we will be in the hole this year. The City needs to take a look at what is going in the 911 fund.

City Manager Gray stated this issue was highlighted in last year's budget message as well. She also stated that Deschutes County 911 Center had passed an operating levy to help fund their 911 center. That could be an option for the City of John Day. She reminded the City Council that the seventy-five cent 911 revenue has not been raised since it had been implemented; the prepaid cell phone users do not pay 911 tax; people are going to the prepaid cell phones because they don't want to sign contracts. City Manager Gray stated the City is working with Representative Cliff Bentz on this issue as well as the League of Oregon Cities.

Pages 12-13 – Mr. Bailey highlighted the Statement of Net Position to the Council. He noted in June 30, 2013 the City's cash and investments totaled \$1,310,465; compared to June 2012 the City's cash and investments totaled \$1,376,436. That says year to year cash was almost flat; however, it went down a little bit. He also noted the unrestricted net position in governmental activities was \$240,873; in the business-type activities was \$998,603 for a total of \$1,239,476 for June 2013 compared to \$1,129,536 for June 2012.

Pages 14-15 – Mr. Bailey noted the net expense revenue and changes in net position. He highlighted in the business-type activities in 2013 the City was in the black at \$46,216 compared to 2012 when the City was in the red by \$20,173. This was because the City raised water and sewer rates accordingly and it worked to the City's benefit.

Page 24 – Mr. Bailey informed the Council that the Cash increased by \$76,045 from the previous year for business-type activities (water increased \$29,885; sewer increased by \$46,160). That was due to the increase in rates. The unrestricted increased by \$101,923 from the previous year.

Page 38 – PERS activity for the past three years. The City's pension cost declined by \$10,147 from the prior year. Mr. Bailey stated the cost of PERS is dependent on the gain on return by the market which was good in 2012. At the end of 2012 PERS was funded at 91%; this year the market is about 21% currently. He believes we will see even more improvement in 2013. He said he thought the pressure on rates on PERS will be pretty flat. You have to look at the long-term trend; you can't just look at the one year.

Page 39 – Mr. Bailey informed the Council that the City's long-term debt goes down about \$120,000 per year.

Page 82 – Schedule of Property Tax Transactions. Mr. Bailey noted the City's tax assessment in 2012 was \$277,435 compared to the previous year of \$262,000 (\$15,000 increase). Total collected this year was \$254,092 compared to the prior year of \$238,000. Mr. Bailey stated we collected 93.8% of the tax in the year it was assessed; the prior year we collected 93.1%. The collection rate went up just slightly; however, Mr. Bailey stated this is his indicator as to how the economy is doing. If the economy is doing better, people pay their taxes. If the economy is not doing better, people don't pay their taxes. This is telling him that the economy is doing slightly better (very slightly better).

Pages 84-85 – They found no compliance issues where the City of John Day violated any Oregon State Statutes.

Pages 88-89 – The Independent Auditor's Report on Internal Controls, Mr. Bailey stated this letter states the auditor reviewed the processes the City uses to process transactions. If there were any problems there are two categories; 1) significant deficiencies which is something that could lead to an error or a material weakness which probably would lead to error as it is a combination of significant deficiencies. Mr. Bailey stated nothing they found got to the point where they would call it a significant deficiency, so there were also no material weakness. What this letter states is that basically the City's process and the way

they were used, enabled the City to produce financial statements that were dependable. That is important because each month when you receive your monthly financial statements you can rely on those statements to make good decisions throughout the year.

Mr. Bailey asked for questions, Mayor Lundbom asked if he has found that other Cities are having the same issues with less revenue on the governmental side than on the business side. Mr. Bailey stated it's pretty common; when we went to Measure 5 that limited property taxes the revenues have been flat. Mr. Bailey explained that most small cities don't have a lot of businesses generating revenue or new businesses coming in so governmental revenues are flat. He stated it's not just small cities; it's also big cities such as Detroit. Mr. Bailey commented that he thought the smaller cities managed their houses better than the big cities by making tougher decisions when they weren't so big. The bigger cities put off the tough decisions hoping things would get better but they didn't.

Mr. Bailey explained the PERS program to the City Council and stated that 70% of the PERS fund comes from the investment earnings not from the taxpayers. He noted that when the stock market investments go down, that is when PERS comes to the cities to make up the difference.

Mayor Lundbom thanked Mr. Bailey and complimented him on his report to the City Council.

**Councilor Steve Schuette moved to accept the Independent Auditors' Report and Financial Statements for the Year ended June 30, 2013. Councilor Donn Willey seconded the motion, the motion passed unanimously.**

**Agenda Item No. 5 – Discuss Canceling the November 26, 2013 City Council meeting due to the Thanksgiving Day Holiday**

Mayor Lundbom asked for the City Council's feelings about canceling the November 26, 2013 council meeting due to the Thanksgiving Day holiday. Councilor Doug Gochnour asked if the council should also consider canceling the December 24, 2013 council meeting at the same time as it falls on Christmas Eve. The City Council agreed that it was an excellent idea.

**Councilor Doug Gochnour moved to cancel the November 26, 2013 and the December 24, 2013 council meetings. Councilor Gene Officer seconded the motion, the motion passed unanimously.**

**Agenda Item No. 6 – Other Business and Upcoming Meetings**

1. The November 1, 2013 and the November 8, 2013 LOC Bulletins were given to the City Council.
2. City Manager Gray updated the City Council about the PARC Resources grant writing activities. She informed the Council that we had hoped to apply for the Fire Fighter's Assistance grant for a new training tower; however, we found it was not eligible. So we will focus on applying for new training equipment and furniture for the fire department.
3. Included in the Council packets was a press release regarding the public comment period for the NE Oregon Regional Natural Hazards Mitigation Plan. City Manager Gray informed the City Council that the City of John Day Addendum will need to be adopted by the City Council via resolution once the regional plan and addendum have been pre-

approved by the Federal Management Agency. We anticipate having the resolution before the City Council for approval by early 2014.

4. Acting Police Chief Richard Gray updated the City Council about the oversized loads that will be coming through town.
5. Public Works Director updated the City Council regarding the 3<sup>rd</sup> Street Bridge; stating that we may have to eliminate traffic off of that section of the bridge. They don't want to replace the slab as they think it will harm the integrity of the other panels.
6. City Manager Gray informed the City Council of the 9 a.m. meeting with the Army Corps of engineers on Thursday, November 21, 2013. The City of John Day, Town of Canyon City and Grant County will be reviewing preliminary mapping and discussing the next step regarding the data collections for our flood mapping.
7. The City of John Day and ODOT will hold a public meeting on Thursday, November 21, 2013, 6 p.m. at the Outpost for our Downtown Sidewalk Improvements Project. A press release and flyer is forthcoming.
8. The October 2013 Statement of Revenue and Expenditure Budget to Actual Reports were given to the John Day City Council.

### **Adjourn**

**There being no further business before the Council, Councilor Steve Schuette made a motion to adjourn the meeting. Councilor Donn Willey seconded the motion and the motion passed unanimously. The meeting was adjourned at 7:57 p.m.**

Respectfully Submitted:

Peggy Gray  
City Manager

ACCEPTED BY THE CITY COUNCIL, DECEMBER 10, 2013.

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Mayor Ron Lundbom