OWENSBORO BOARD OF COMMISSIONERS

Regular Meeting
December 18, 2018 5:00 PM
Owensboro City Hall
101 E. 4th Street
Owensboro, Kentucky

1. CALL TO ORDER - Mayor Tom Watson

2. ROLL CALL - City Clerk Beth Cecil

Present:
Mayor Tom Watson
Mayor Pro Tem Bob Glenn
Commissioner Larry Conder
Commissioner Jay Velotta

Absent:
Commissioner Pam Smith-Wright (due to family medical issue)

3. INVOCATION & PLEDGE – Mayor Tom Watson

4. PRESENTATIONS

4.A. Law Enforcement Appreciation Day 2019 and National Volunteer Blood Donor Month Proclamation was accepted by Vicky Ellis, Western Kentucky Regional Blood Center and Craig Sutter, Trustee with Kentucky Chapter of Concerns of Police Survivors (KY C.O.P.S.).

4.B. Cap Gardner Award – Mayor Watson presented the 2018 Cap Gardner Award (12th consecutive year for the award) to Beth Cecil, City Clerk in honor of her exemplary performance during the year.

4.C. On behalf of State Representative D.J. Johnson who was unable to attend, Mayor Watson presented a House of Representatives Citation to Chief Art Ealum, as he was recipient of the Police Chief of the Year Award from the Kentucky Association of Chiefs of Police.

4.D. Jack Sommerville, with Alexander Thompson Arnold, PLLC, presented the Fiscal Year June 30, 2018 audit report (presentation attached). The auditors gave a clean opinion on the financial statements with no findings. Moody's has removed the negative outlook. The auditor had two recommendations: 1) implement a fund balance policy, to formally state a specific fund balance be maintained at all times and 2) cross-train the employees in the Finance Department, in lieu of hiring additional staff. After additional discussion, Mayor Watson made a motion to accept the audit report; motion was seconded by Mayor Pro Tem Glenn and carried unanimously.

5. BUSINESS

5.A. Minutes dated December 4, 2018 were approved on motion of Mayor Watson with a second by Commissioner Velotta; motion passed 4-0.

5.B. The following board appointments were approved 4-0 upon motion by Commissioner Velotta with a second by Mayor Pro Tem Glenn:

- **GRADD Regional Transportation Committee** – Reappoint Kevin Collignon to a one-year term expiring December 31, 2019.

- **Police and Firefighters' Retirement Fund Board** – Ratify the election of Lloyd Nash to a one-year term expiring December 31, 2019.

- **Audubon Area Community Services Board –** Appoint Larry Conder to fill the remainder of a term expiring December 31, 2020.

- **Owensboro Parks & Recreation Advisory Board** – Appoint John Hill and Sally Knight Barker to a term expiring October 31, 2020. Appoint Walter Lee to fill the remainder of a term expiring November 7, 2019.

- **Green River District Board of Health** – Reappoint Leslie Smeathers to a two-year term expiring December 31, 2020.

- **Audubon-Bon Harbor Neighborhood Alliance** – Reappoint Zach Draeger, Bob Pinkston, Linda Pinkston, and Margaret Walton to a term expiring July 1, 2020. Reappoint Karen Moore to a term expiring August 16, 2020. Reappoint Christina Hayden to a term expiring November 12, 2020.

- **Old Owensboro Neighborhood Alliance** – Appoint Matt Woodfall, Christara Lee, and Schuyler Glahn to a two-year term expiring November 13, 2020.

- **Dugan Best Neighborhood Alliance** – Appoint Kevin Jacques and Renee Jacques to a two-year term expiring December 16, 2020.

- **Dogwood-Azalea Neighborhood Alliance** – Reappoint Ed Odom and Nita Kincaid to a term expiring July 1, 2020. Reappoint David Morris to a two-year term expiring November 1, 2020. Reappoint Court Lewis and Jenny Lewis to a two-year term expiring November 20, 2020.

- **Senior Community Center of Owensboro-Daviess County** – Reappoint Joe Mason, Jennifer Allen, Tom Clark, and Rita Jo Holtzman to a three-year term expiring December 31, 2021.

- **Owensboro Human Relations Commission** – Appoint Gabriela Martinez to a three-year term expiring January 1, 2022.

- **<u>Civil Service Commission</u>** – Reappoint Steven Englehardt to a three-year term expiring January 15, 2022.

- **<u>Owensboro-Daviess County Regional Airport Board</u>** – Reappoint Gene Wright to a four-year term expiring January 8, 2023.

- **<u>City Employees' Pension Board</u>** – Reappoint Josh Bachmeier to a four-year term expiring January 8, 2023.

6. ORDINANCES - 2nd READING - NONE

7. ORDINANCES - 1st READING - NONE

8. MUNICIPAL ORDERS

8.A. Municipal Order 28-2018 entitled A MUNICIPAL ORDER APPROVING 1.0% COST-OF-LIVING INCREASE FOR ALL ELIGIBLE PENSION ANNUITANTS UNDER THE (CLOSED) CITY EMPLOYEES' PENSION FUND was approved 4-0 upon motion of Commissioner Conder with a second by Mayor Watson.

The Board of Trustees of the (closed) City Employees' Pension Fund met and by 4-3 vote recommends a 1.0% cost of living increase for eligible annuitants effective with pension checks received in January 2019.

8.B. Municipal Order 29-2018 entitled A MUNICIPAL ORDER APPROVING A 1.0% COST-OF-LIVING INCREASE FOR ALL ANNUITANTS OF THE OWENSBORO POLICE AND FIREFIGHTERS' RETIREMENT FUND ("CLOSED"), was approved 4-0 upon motion of Mayor Watson with a second by Commissioner Conder.

The Board of Trustees of the Police and Firefighters' Retirement Fund (closed) met and unanimously recommends a 1.0% cost of living increase for annuitants effective with pension checks received in January 2019.

8.C. Resolution 1-2018 entitled A JOINT RESOLUTION OF THE DAVIESS COUNTY FISCAL COURT 14-2018 AND THE BOARD OF COMMISSIONERS OF THE CITY OF OWENSBORO ESTABLISHING THE CREATION OF A SYRINGE ACCESS EXCHANGE PROGRAM BY THE GREEN RIVER DISTRICT HEALTH DEPARTMENT, was approved 4-0 upon motion of Commissioner Conder with a second by Mayor Pro Tem Glenn.

The Owensboro City Commission and Daviess County Fiscal Court recognize the creation of an exchange program for hypodermic needles and syringes is in the best interest of the citizens of Owensboro and Daviess County. This Resolution consents and requests that Green River District Health Department develop an evidence based phased syringe access exchange program to prevent and control the spread of communicable diseases associated with injection drug use in Owensboro and

Daviess County and in so doing advance the public safety of the residents of Owensboro and Daviess County. City Manager Pagan explained that consent approval is needed by both the City and County and there is not a funding request. Clay Horton, Daviess County Health Department stated the local public heath tax dollars finance the program. The program plan includes an evaluation piece, matrix, numbers of utilization and syringes and the number of individuals that enter rehab. Forty-nine (49) counties in Kentucky have a similar program. If a large influx is seen from other counties, they will seek to expand into those counties. Chief Ealum asked how the needles would be distributed because a fellow Police Chief has been inundated with phone calls of needles left behind in the parks and the Owensboro Police Department officers cannot take on the additional responsibilities to clean up needles, in addition to the risk for officers. Chief Ealum requested the Health Department not hand out a mass number of syringes to get the program off the ground. Mr. Horton responded that the intent is to stop the sharing of needles and safely discard them on a one-to-one exchange. However, upon the initial visit, if the individual does not have a needle to exchange, one could be distributed.

9. CITY MANAGER ITEMS

9.A. The financial report for the period ending October 31, 2018 was presented and approved 4-0 to file for audit upon motion of Mayor Pro Tem Glenn and a second by Mayor Watson. Angela Hamric, Finance and Support Services Director presented the report: General Fund revenues through October 31, 2018 of $19,410,976 are $99,107 higher than budget. General Fund expenditures of $17,447,921 were $2,609,042 under budget primarily due to timing in Capital Outlay, Maintenance and Supplies and savings in Personnel Services.

Outside of timing variances, the revenues and expenditures in other funds are in line with the year-to-date budget.

9.B. Personnel Appointments were approved 4-0 upon motion of Mayor Watson with a second by Commissioner Conder.

PROBATIONARY STATUS:

- **Andy Owen** – Probationary, full-time, non-civil service, promotional appointment to Fire Driver/Engineer with the Fire Department, effective December 23, 2018.

- **John Preston** – Probationary, full-time, non-civil service appointment to Police Officer with the Police Department, effective January 7, 2019; contingent upon successful completion of post offer testing.

- **Diana Mackey** - Probationary, full-time, non-civil service appointment to Telecommunicator with Police Department, effective January 7, 2019.

- **Rachel Simmons** – Probationary, full-time, non-civil service appointment to Telecommunicator with Police Department, effective January 7, 2019.

REGULAR STATUS:

- **Heather Yeiser** – Regular, full-time, non-civil service appointment to Office Manager with the Public Works Transit Department, effective December 26, 2018.

9.C. City Manager Comments - None

10. COMMUNICATIONS FROM ELECTED OFFICIALS

Communications were heard from the elected officials.

Commissioner Velotta and Mayor Pro Tem Glenn thanked staff, citizens and their family as it was their last meeting serving as City Commissioners.

Mayor Watson recognized Mayor Pro Tem Glenn and Commissioner Velotta with plaques and a "Certificate of Appreciation" in honor of their service and leadership to the City of Owensboro.

11. OPEN PUBLIC FORUM

Andy Gamblin (2920 Yale Place) spoke against the Entertainment Destination Center ordinance.

12. ADJOURNMENT

There being no further business to discuss, the meeting adjourned at 6:09 p.m. upon motion of Commissioner Velotta and a second from Commissioner Conder.

_____
Thomas H. Watson, Mayor

ATTEST:

_____
Beth Cecil, City Clerk

City of Owensboro, Kentucky-Audit Presentation
June 30, 2018

Presenter:

Malcolm E. “Mac” Neel III CPA, CFE

Partner

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Basic Audit Process and Risk Assessment

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System Documentation

- Processes and controls for each key area of transactions were analyzed and documented in flowchart form.
- Key steps in the respective system were compared to our flowcharts by observation, inquiry and review of standard reports generated to ensure accuracy of our understanding of each system.
- Audit risks (inherent and control risks) were assessed and evaluated based on effectiveness of controls employed within the City as part of our preliminary testing.

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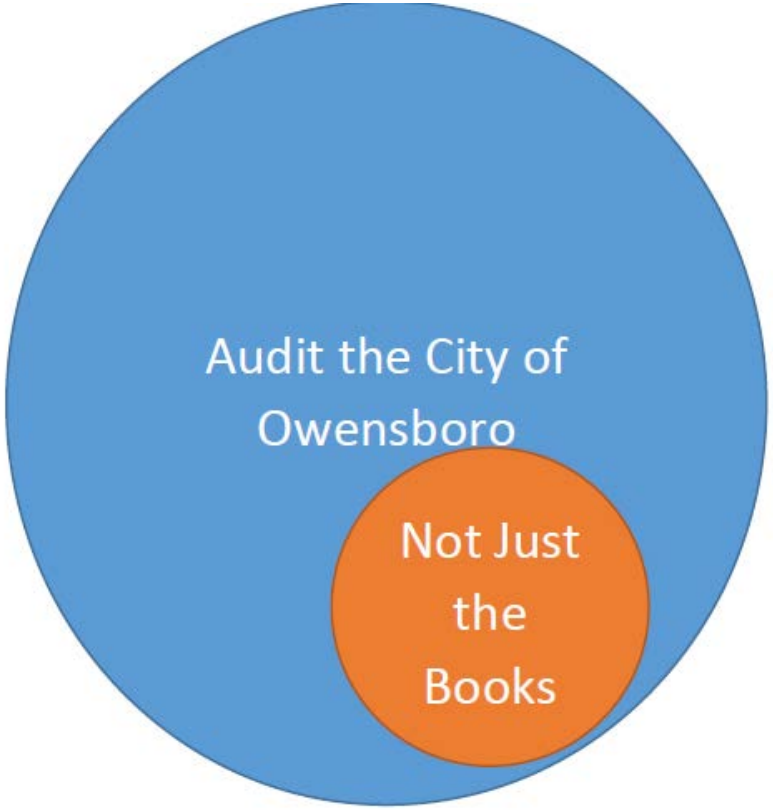
Initial Risk Assessment



- Analyzed the impact of risks identified which could impact the City:
  - Regulatory environment
  - Economic climate(locally-regionally-nationally).
  - Concentrations of tax payers.
  - Other unique factors (pension and OPEB)

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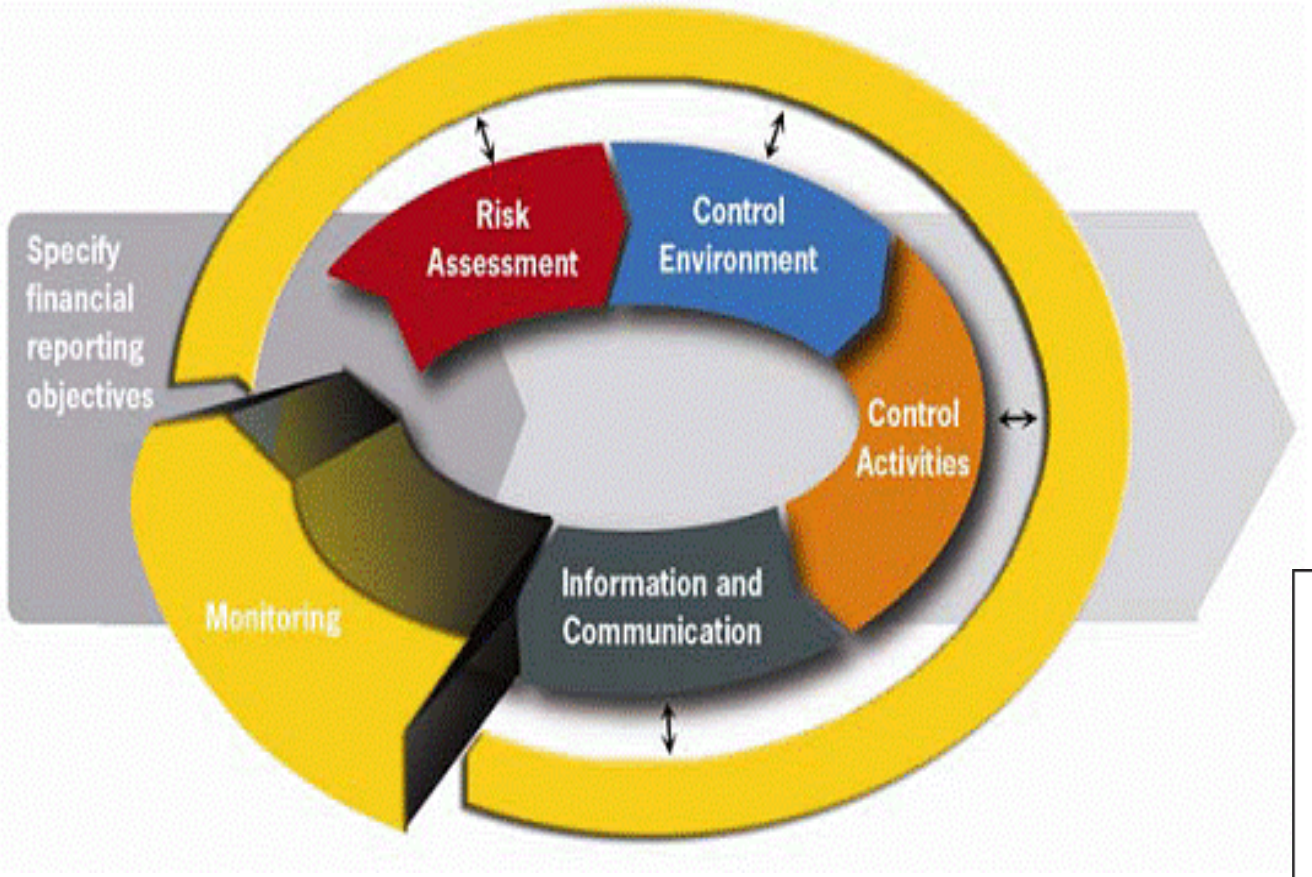
Audit Risk Assessment Approach



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Financial Highlights- Government Wide Financials

- Net Position Decreased by $14.2 million
- Net position June 30, 2017 - $112.6 million
- Net position June 30, 2018 - $98.4 million
- Total Assets and Deferred Outflows - $379 million.
- Total liabilities and Deferred Inflows - $281 million.

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Financial Highlights-Government Wide Financials, continued

- Unfunded Pension Liability - $70.8 million
- Unfunded OPEB (Other Postemployment Benefits) Liability - $23.2 million as a result of newly implemented GASB No. 75.
- These will be a challenge for the City into the foreseeable future.

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Condensed Statement of Net Position
June 30, 2018 (Amounts Reported in Thousands, 000's omitted)

	City of Owensboro	OMU & Riverport	Total
Assets:			
Current assets	$ 90,504	$ 74,933	$ 165,437
Restricted assets	-	108,542	108,542
Capital assets	259,529	293,335	552,864
Total assets	**350,033**	**476,810**	**826,843**
Deferred Outflows of Resources	**29,375**	**72,635**	**102,010**
Total Assets and Deferred Outflows of Resources	**$ 379,408**	**$ 549,445**	**$ 928,853**
Liabilities:			
Current liabilities	$ 7,048	$ 26,447	$ 33,495
Long-term debt	163,247	240,343	403,590
Net pension liability	70,797	48,648	119,445
Net OPEB liability	23,209	16,708	39,917
Total liabilities	**264,301**	**332,146**	**596,447**
Deferred Inflows	**16,708**	**12,036**	**28,744**
Net Position	**98,399**	**205,263**	**303,662**
Total Liabilities, Deferred Inflows of Resources, and Net Position	**$ 379,408**	**$ 549,445**	**$ 928,853**

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Financial Highlights-General Fund

- Fund balance increased by $2.36 million for Fiscal Year 2018, reversing a four year trend of decreases.
- Occupational and net profits taxes increased by $6 million over 2017.
- Fund balance had decreased by $5.3 million from June 30, 2014 to 2017.
- Ending fund balance was $11.2 million representing 81 days of expenditures.

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Financial Highlights-General Fund

- Consideration of Moody's rating methodology should be a key factor in making decisions related to tax revenue as fund balance trend, cash balances, and cash balance trend are 30% of the weight placed on the City's rating.
- Most recent rating is A2 with "negative outlook" removed.

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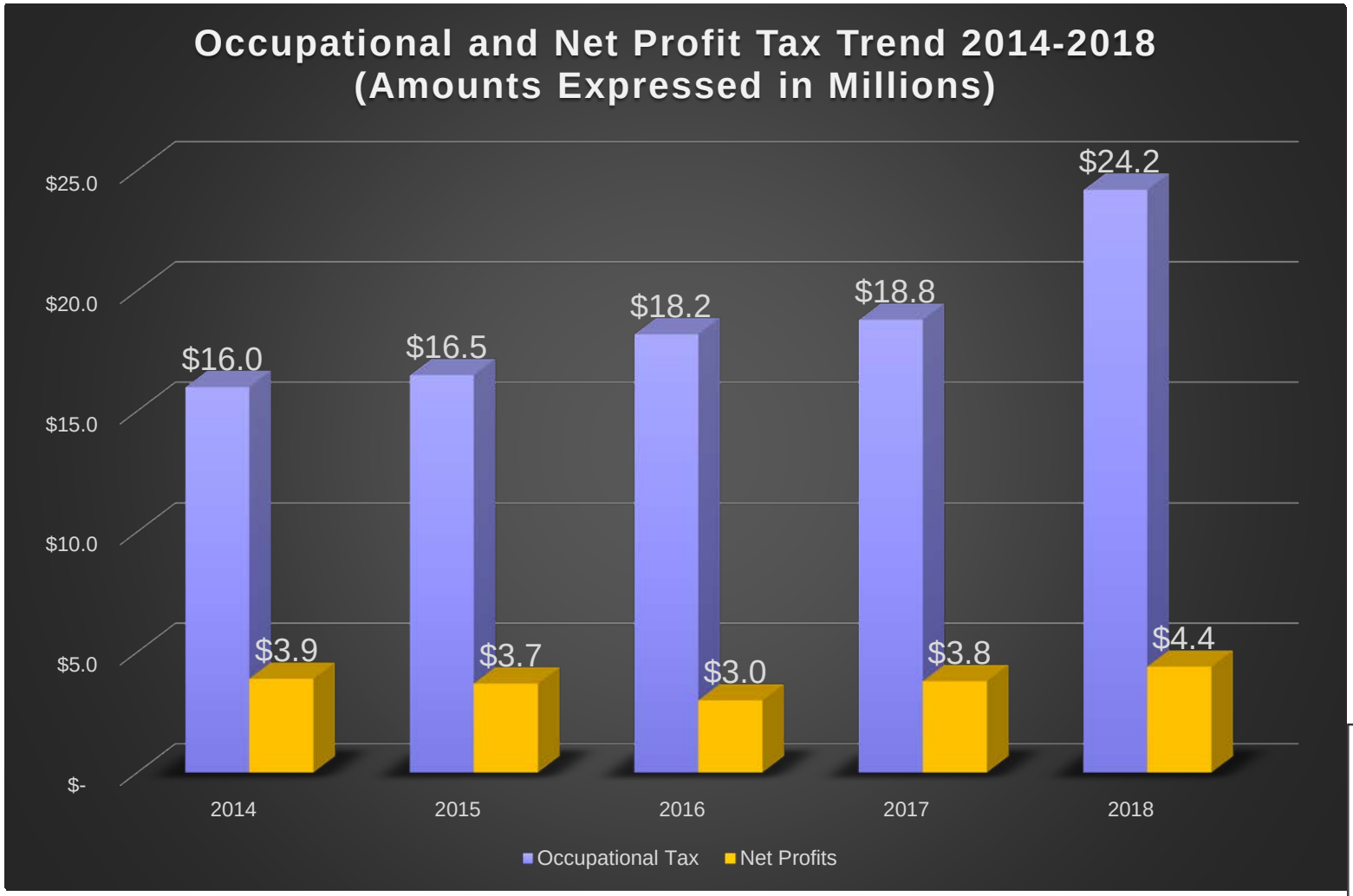
Occupational and Net Profit Trend



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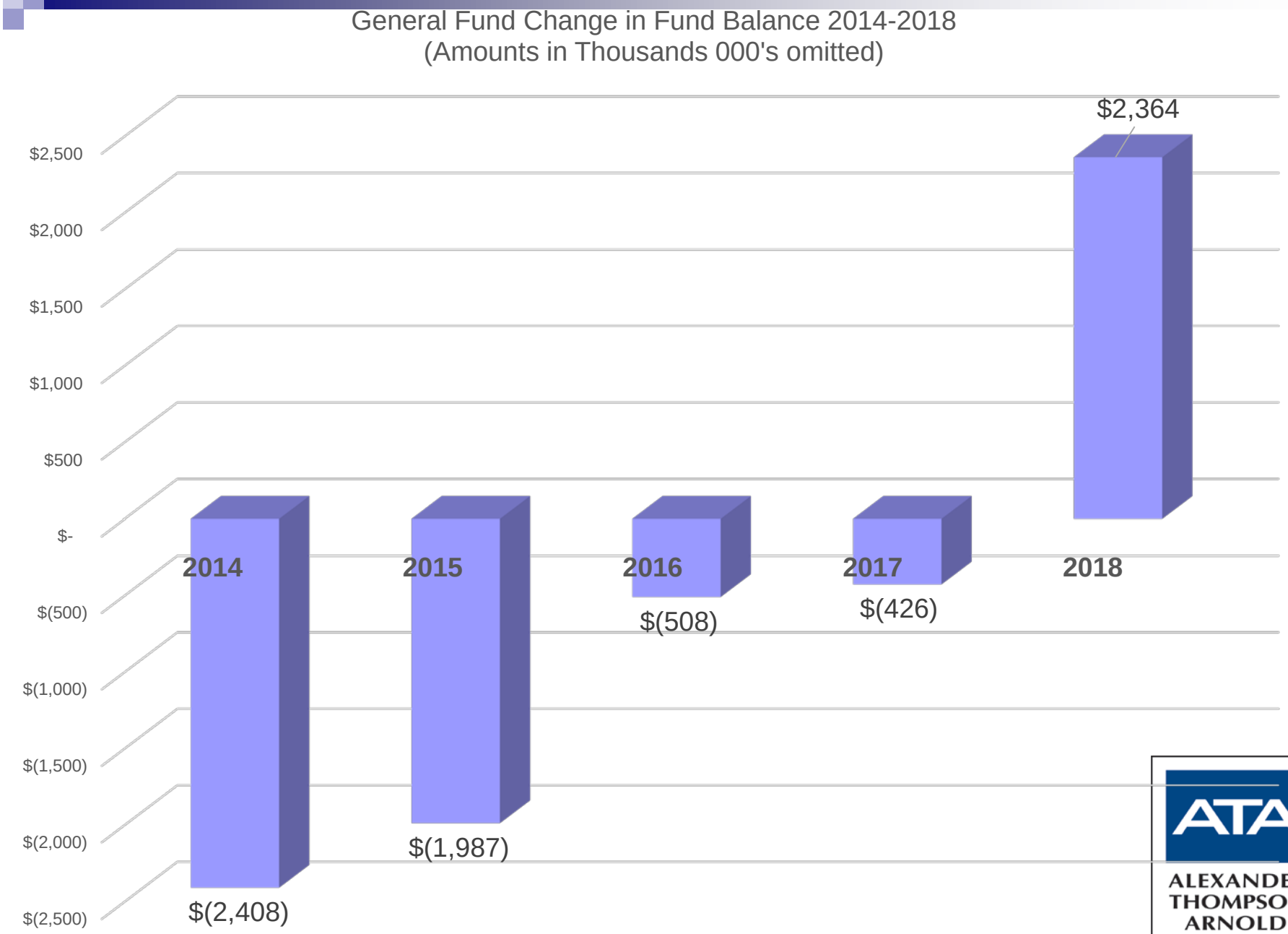

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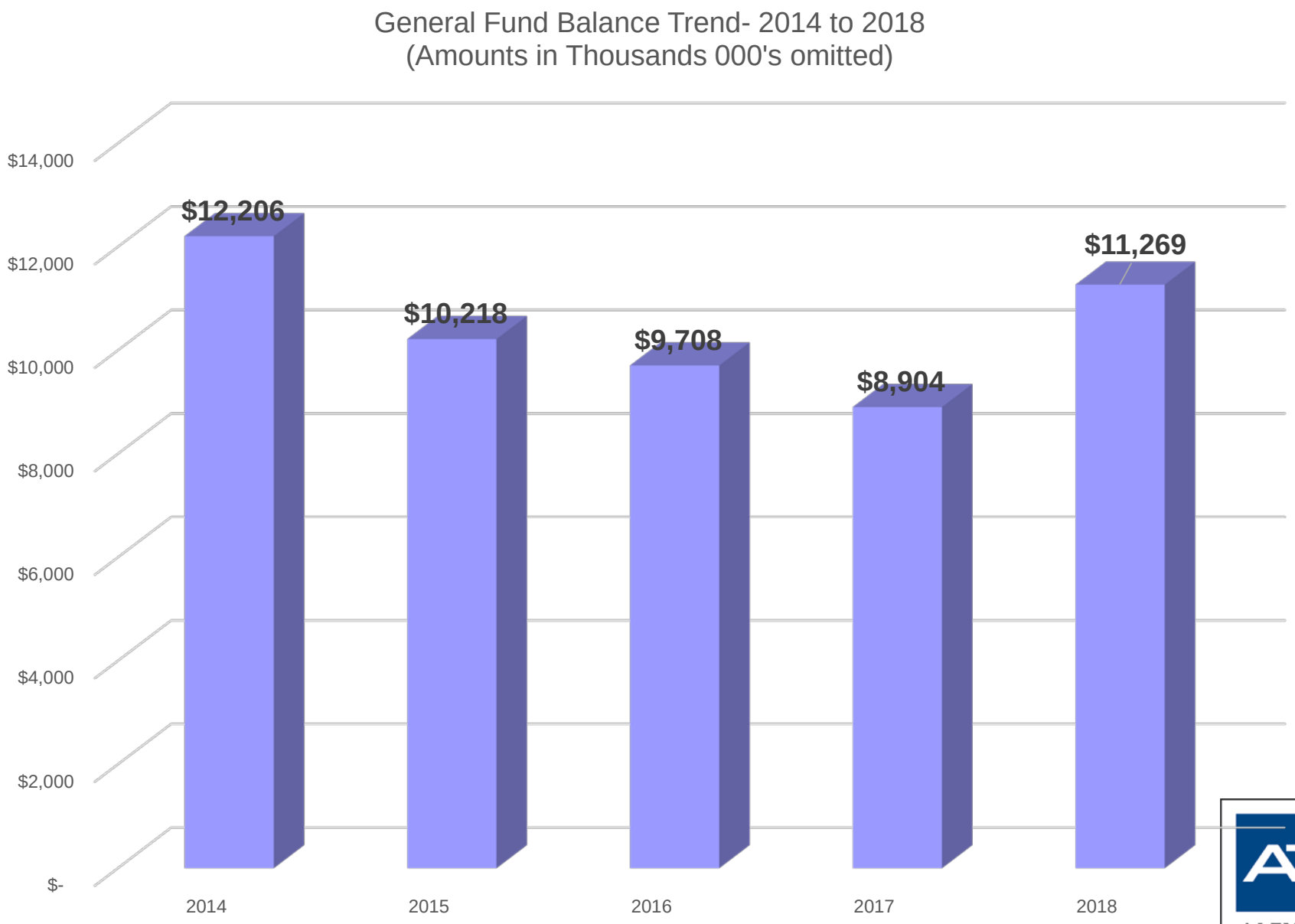

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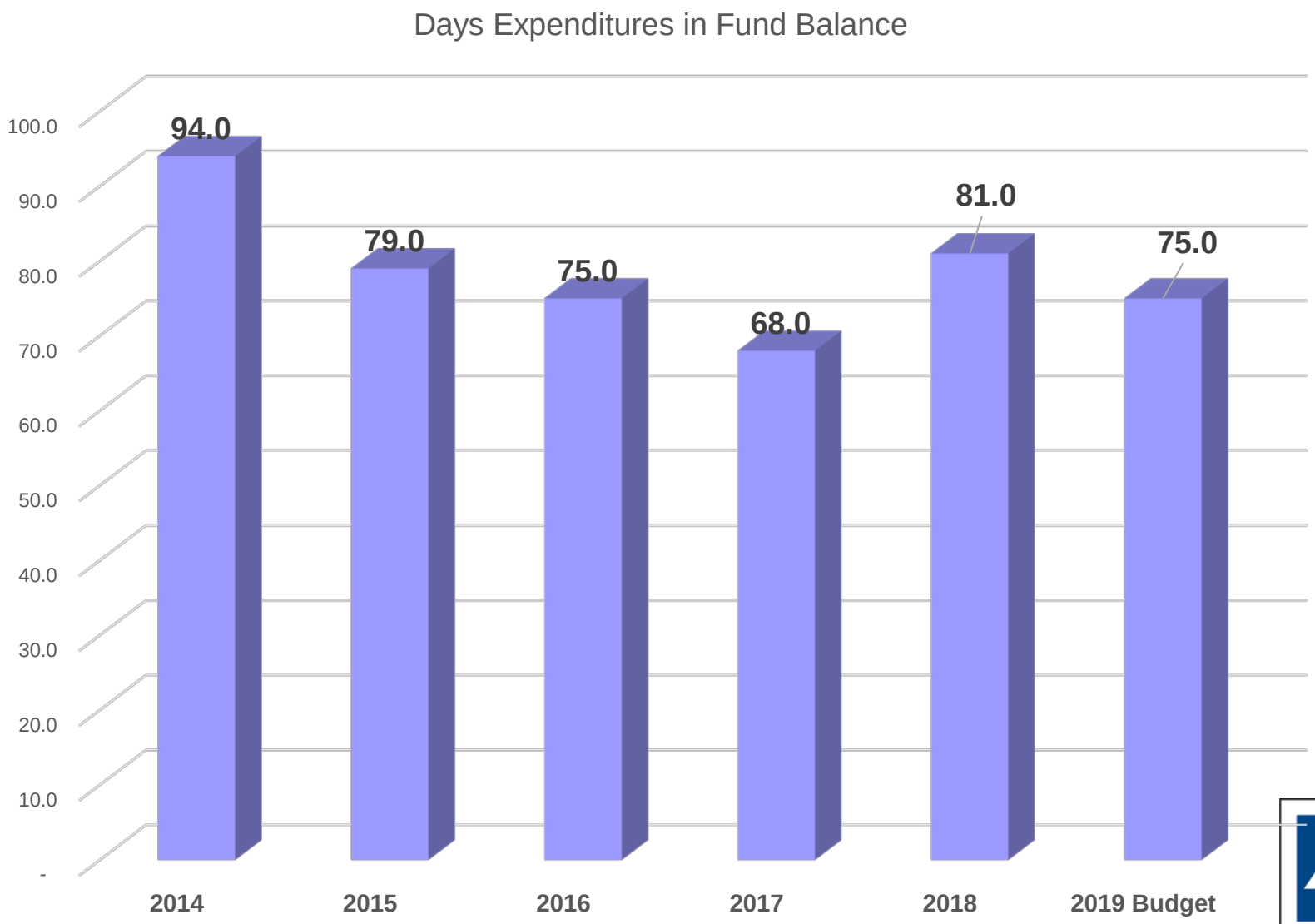

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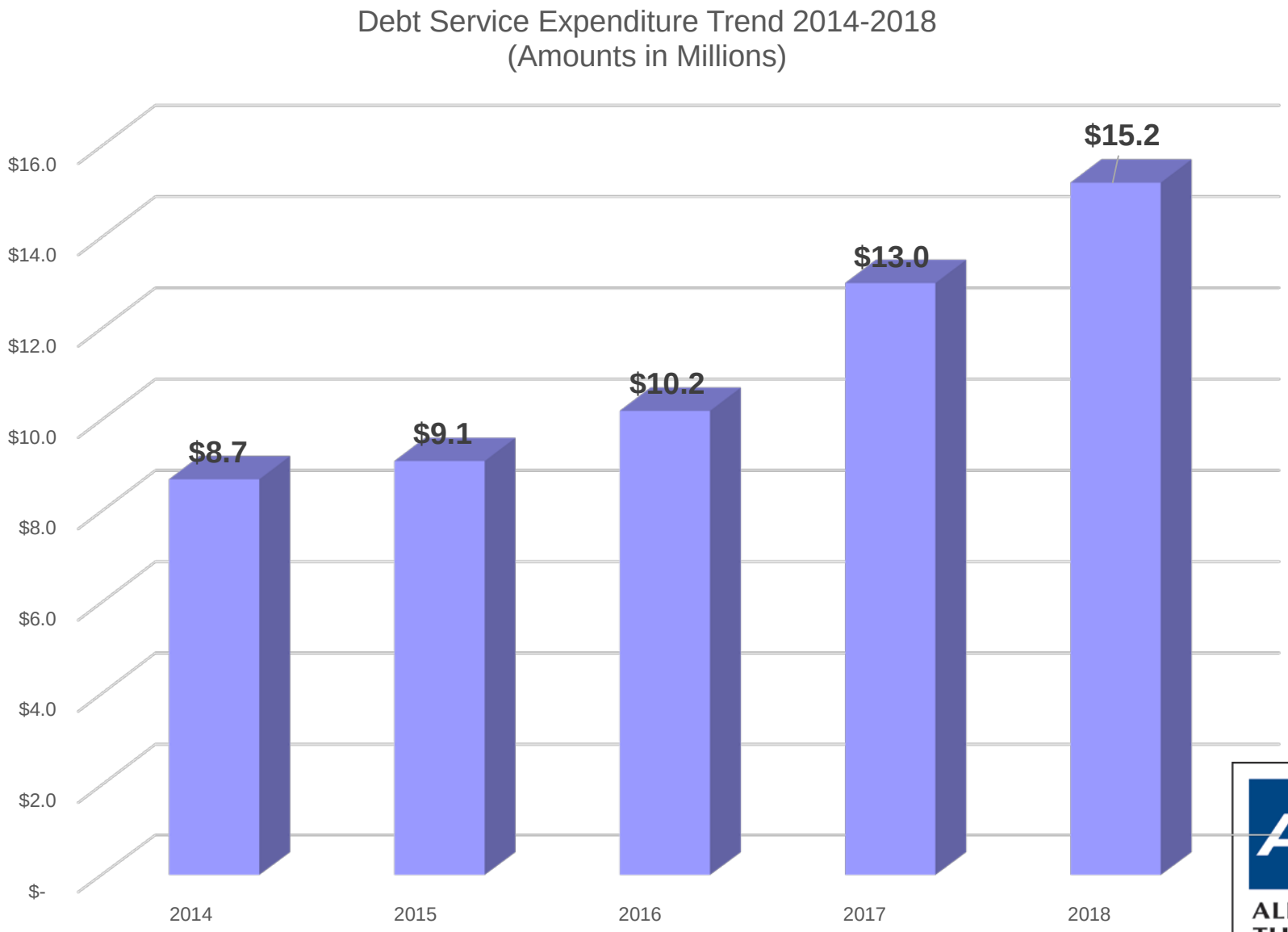

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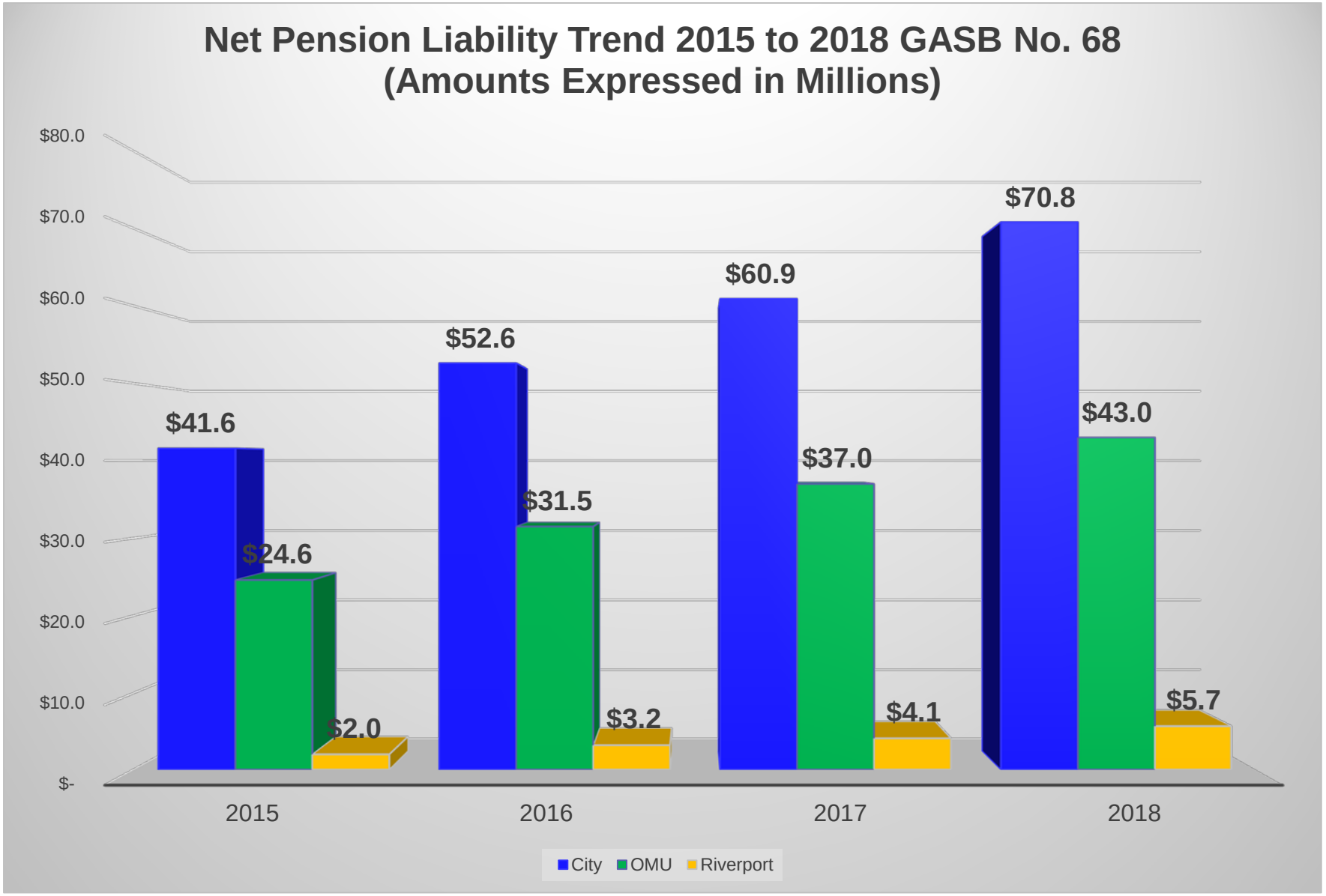
UNFUNDED PENSION AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY


Net Pension Liability Trend 2015 to 2018 GASB No. 68
(Amounts Expressed in Millions)
$80.0
$70.0
$60.0
$50.0
$40.0
$30.0
$20.0
$10.0
$-
$41.6
$24.6
$2.0
$52.6
$31.5
$3.2
$60.9
$37.0
$4.1
$70.8
$43.0
$5.7
2015
2016
2017
2018
City
OMU
Riverport

CITY OF OWENSBORO, KENTUCKY
OTHER REQUIRED COMMUNICATIONS

Recommendations-Implementation of a Fund Balance Policy

- City of Owensboro does not have a fund balance policy in place to set a minimum level of fund balance to be maintained at all times.
- We have provided the City's finance director a sample policy that can be modified as the Board of Commissioners desire.
- Levels to be maintained can be expressed in days' expenditures in fund balance or specified dollar level to be maintained.

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Recommendation-Cross Training Employees in the Finance Department

- We noted that the finance director and assistant finance director perform many tasks as part of their regular routine.
- The workload has increased as responsibilities have expanded in recent years.
- Cross training will allow for staff to be able to assist in other areas in the event of a prolonged absence. Efficiency may also be gained by shifting tasks among current employees.

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QUESTIONS?

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