
MINUTES OF THE CITY COUNCIL, CITY OF CONWAY, ARKANSAS

Conway, Arkansas
Tuesday 6:30 p.m.
March 02, 2010

On this date the City Council of the City of Conway, Arkansas met in special session. The following members being a quorum, were present and acting; Alderman Hawkins, Alderwoman Smith, Alderman Grimes, Alderwoman Mehl, Alderwoman Whitmore, Alderman Vaught, Alderman Jones, and Alderman Rhodes. Also, present and acting: Mayor Tab Townsell, City Clerk Michael Garrett, and City Attorney Michael Murphy.

Call to Order

Roll Call

Minutes:

Announcements/Proclamations/Recognition:

A. Finance

1. Ordinance creating an Audit Committee for the City of Conway.

O-10-19

Alderwoman Smith motioned to waive the readings of the ordinance. Alderwoman Whitmore seconded the motion. The motion passed 8-0. Alderwoman Smith motioned to adopt the ordinance and the emergency clause. Alderwoman Whitmore seconded the motion. Alderman Grimes stated we need three to four members, including himself, to have a functioning audit committee. Alderwoman Mehl stated she would like to serve and Mayor Townsell stated he received an email from Alderwoman Smith expressing her interest to serve as well. Alderman Vaught stated he would volunteer if no one else wants to. There was no discussion. The clerk called the roll with the following voting "Aye": Alderwoman Mehl, Alderman Hawkins, Alderwoman Smith, Alderman Rhodes, Alderwoman Whitmore, Alderman Grimes, and Alderman Vaught. The motion passed 7-0.

2. Discussion / Recommendation of approving the Mayor to enter into an agreement with third party auditors to review the financials for the City of Conway.

O-10-20

Alderman Grimes explained we waived the bidding process and received and received a proposal from Thomas & Thomas as requested; in the interim we received an unsolicited proposal from Leek & Associates. Alderman Grimes does not believe we have to even consider the second proposal and feels it is not fair to

others who did not submit proposals and feels we should address the Thomas & Thomas proposal. City Attorney Michael Murphy stated it is up to council on how to proceed. Alderwoman Smith asked how do we know the prices from Thomas & Thomas are fair. Alderman Grimes stated from his experience the rates submitted by Thomas & Thomas are not out of line. After much discussion Alderman Vaught asked what exactly do we need from whomever we choose to perform the audit. Mayor Townsell stated we need verification that the figures we have are good and it is also important to review our people, policies, processes, and reports; then we as a finance department we will need to prepare the comprehensive annual report that is then audited by our outside auditors. Alderman Vaught stated maybe we should wait on borrowing money until we have received information from the auditors. Mayor Townsell stated we cannot wait as we are too far into the process with the recycling sorter and cannot get out of that contract. Alderman Grimes stated the only items we have leeway on at this point are the police cars. Alderman Hawkins stated he is comfortable knowing that the auditors chosen will report the audit committee and feels unless we want to invest in another month plus to a bidding process. Upon entering the meeting already in progress Alderman Jones stated he does not feel like we can afford to wait any longer. Alderman Hawkins asked if we should first give Thomas & Thomas an estimate of how long we feel this process may take and how much we feel it might cost before writing a blank check out to them. Alderman Grimes stated that is the function of the audit committee to meet with them and define the scope of work and receive feedback on a timeframe and if we feel it is excess of what we feel is appropriate then we will shut them down. Alderman Hawkins asked if this happens can we take it out to bid Alderman Grimes stated that will not be necessary; we can bring in accounting firms all day and they will all be about the same; if we think they are charging excessive rates or burning hours we can address that as it happens. Alderman Hawkins motioned to adopt the ordinance as written and its emergency clause. Alderwoman Whitmore seconded the motion. Mayor Townsell stated if that motion includes entering into the agreement with Thomas & Thomas. Alderman Hawkins stated yes. Alderwoman Smith motioned to waive the readings of the ordinance. Alderwoman Whitmore seconded the motion. The motion passed 8-0. There was no further discussion. The clerk called the roll with the following voting "Aye": Alderwoman Mehl, Alderman Hawkins, Alderman Jones, Alderman Rhodes, Alderwoman Whitmore, Alderman Grimes, and Alderman Vaught. The motion passed 7-1. Alderwoman Smith voted in opposition.

3. Consideration to accept the terms and conditions for the automated sorting line for the Conway Sanitation Department.

Mayor Townsell stated the US Bank bid is 2.83% fixed, Centennial Bank submitted two separate bids, one being 3.45% fixed, the second bid is 4.37% fixed with other conditions attached, Public Finance.com Inc. bid is 4.22% fixed, First Security bid is 4.34% fixed, and Regions Bank bid is 4.19% fixed with LIBOR + 2.50%. Mayor Townsell stated he will have to get back with council on Regions

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bid with the LIBOR as he is unsure where that is. Mayor Townsell stated the lowest two bids were from US Bank and Centennial Bank; the condition attached to Centennial's 3.45% bid would require us to keep our funds at Centennial Bank for another five years with the guarantee of a floor rate of .76% on the interest earned on our funds. Mayor Townsell explained we currently get .201% interest on our funds and we would be receiving .559% more. The interest on 3.45% is \$137,000.00 and the interest on 2.83% is \$113,000.00 a savings of approximately \$25,000.00. Mayor Townsell went on to say we would make \$55,900.00 annually in extra earned interest if the .201% rate stays in place for the full 5 year period; this is calculated on an average balance of \$10 million. Mayor Townsell stated this makes things a bit more complicated and asked if anyone knows what LIBOR is. City Clerk, Michael Garrett, stated this week it is .84%. Mayor Townsell stated this would make the LIBOR rate 3.34% variable. Alderman Rhodes asked if we are legally obligated to bid this out. City Attorney Michael Murphy stated he is unaware of any state law that mandates that and asked Mr. Garrett if this is something the city does in a normal course of business. Mr. Garrett stated we went for years without bidding this out. Alderwoman Mehl asked if these conditions would hold if we paid the loan off early. David Drury, Centennial Bank, stated you would be obligated for the 5 years for the term of the loan whether it is paid off early or not. Alderwoman Smith stated she is not sure if we are comparing apples to apples here, US Bank was not given the opportunity to bid in the same fashion because they do not currently hold our funds and she wants to make sure we are being transparent. Alderman Jones stated US Bank would not be the lowest bid if you take into consideration the \$50,000.00 annually in interest earned; if are going to do something like this we should give the other banks the option to match the terms of Centennial's bid. Alderwoman Mehl stated we would then have to change our accounts over to another bank. Alderman Jones asked if we can contact US Bank to see if they will give us another option. Mayor Townsell stated no, not after the bids have been opened. Alderwoman Mehl stated she does not like to play favorites nor does she like to pay interest, and Centennial's bid gives us the option to get that interest back and then some. Alderwoman Smith stated we would then be locked into banking with Centennial for 5 more years. Alderwoman Mehl stated that would be the trade off. Mayor Townsell stated we would basically an automatic renewal and we would have to waive the bids to actually do it. Mr. Murphy pointed out that the bid itself stated the bid would be submitted on the form provided and he held up the form for council to see; in other words that is the bid specs. Alderwoman Mehl stated so we cannot consider the others. Mr. Murphy stated he feels it would be problematic if you went beyond the bid specs and reminded council that they have the authority waive bids and to reject any and all bids. Mayor Townsell stated this is simply aggressive banking and anyone could have done the same. After some discussion Alderman Jones motioned to accept the low bid from US Bank for 2.83%. Alderman Vaught seconded the motion. Lowell McClanahan, from the audience, stated one of the functions of a chief financial officer of a community is cash management and

asked if any of the \$14 million in the bank accounts are reserve funds that cannot be spent. Alderman Hawkins stated yes. Mr. McClanahan stated it seems like the city could be making a lot more than two-tenths of a percent on those reserve funds. Mr. Drury stated when Centennial got the bid 4 years ago we were earning 5%; this interest is on a floating rate and at that time everybody got to bid so anyone could have bid that rate. Mr. McClanahan explained his point was not to criticize anyone it was to point out that a 5 year bid with any bank might not be a good idea. There was no further discussion. The motion passed 7-1. Alderman Rhodes voted in opposition.

4. Ordinance authorizing the issuance of a promissory note to provide short term financing for the Conway Sanitation Department.

O-10-21

Alderman Smith motioned to waive the readings of the ordinance. Alderman Whitmore seconded the motion. The motion passed 8-0. Alderman Smith motioned to adopt the ordinance. Alderman Whitmore seconded the motion. Alderman Mehl stated we need to insert the interest rate of 2.83% fixed. Mayor Townsell concurred. Alderman Vaught expressed his concerns over borrowing money on short term financing that will be paid by the general fund as stated in the ordinance. Mayor Townsell stated that sanitation funds are also a part of the general fund. City Attorney, Michael Murphy, stated the wording of the ordinance is required by state law if the city takes advantage of amendment 78 short term financing. Alderman Vaught stated he believes the city owns real estate that could be put up for collateral or sell immediately and pay off the loan as soon as possible. Mayor Townsell stated we do have parcels of land but as Mr. Murphy stated that cannot be put up as collateral or take the general fund off the hook but this money is needed by April. Mayor Townsell stated is in favor of looking at those options. Alderman Vaught asked if we could commit to discussing this option. Mayor Townsell stated yes we can. Alderman Mehl asked if the ordinance states or can it state that our intent is to pay this loan back from the sanitation fund. Mr. Murphy stated there is nothing to preclude that intent. Mayor Townsell stated that language is in Section 5 of the ordinance. There was no further discussion. The clerk called the roll with the following voting "Aye": Alderman Mehl, Alderman Hawkins, Alderman Smith, Alderman Jones, Alderman Rhodes, Alderman Whitmore, Alderman Grimes, and Alderman Vaught. The motion passed 8-0.

Mayor Townsell stated he would like council to give him some direction on the purchase of police cars. Alderman Mehl stated she would prefer to wait until we get some answers from the auditors on our fund situation. Alderman Vaught asked if there is a window of time that we can purchase the cars. A.J. Gary, Chief of Police, stated we need to order them by April or May and then you reach the

deadline; we could possibly find some later on in the year as we have in the past but that is not a guarantee. Alderman Jones asked if we pay for them later in the year. Chief Gary stated they have to be paid for when the cars are ordered. Alderwoman Smith stated she would like to wait as well to see what our fund balances look like, other council members concurred. Mayor Townsell stated the old state contract is not honored in April or so and the new state contract comes in September; if we miss this window we can order then rather than waiting until the 2011 budget year. Mayor Townsell stated we will wait until Thomas & Thomas can give us some clearly defined answers.

5. **Consideration for the Mayor to enter into an agreement with Cubic Design and an ordinance appropriating funds for the platforms / stairs for the Automated Sorting Line at Sanitation Department.**

O-10-22

Cheryl Harrington, Sanitation Director, explained that Cubic Design is awaiting the first 10% purchase order and once they receive the purchase order they will begin their design plan; once the drawings are complete and approved we will then need to pay 20%. Ms. Harrington went on to say that once they begin the material shipment we will need to pay the additional 20% and then the final payment when everything is complete. Ms. Harrington stated she does not anticipate this taking no more than 20 days; at this point we will need to pay the first \$100,000.00. Mayor Townsell stated this is included in the money we are borrowing. Alderwoman Smith motioned to enter into the agreement with Cubic Design. Alderman Jones seconded the motion. There was no discussion. The motion passed 8-0. Alderwoman Whitmore motioned to waive the readings of the ordinance. Alderwoman Smith seconded the motion. The motion passed 8-0. Alderwoman Whitmore motioned to adopt the ordinance and the emergency clause. Alderwoman Smith seconded the motion. There was no further discussion. The clerk called the roll with the following voting "Aye": Alderwoman Mehl, Alderman Hawkins, Alderwoman Smith, Alderman Jones, Alderman Rhodes, Alderwoman Whitmore, Alderman Grimes, and Alderman Vaught. The motion passed 8-0.

Adjournment

PASSED this 2nd day of March 2010

APPROVED:

Mayor Tab Townsell

City Clerk Michael O. Garrett