

**CITY OF METTER
CALLED MEETING/
FY 2020 BUDGET WORK SESSION
TUESDAY, MAY 7, 2019
9:00 A.M.**

A called meeting/FY 2020 budget work session was held at Metter Police Department on Tuesday, May 7, 2019 at 9:00 a.m.

Attending the meeting were the following officials:

Mayor Edwin O. Boyd
Mayor Pro tem Chyrileen Kilcrease
Councilwoman Amy Harrelson
Councilman Brandon Sikes
Councilman Paul MacGregor
City Manager Mandi Cody
City Clerk Angie Conner
Fire Chief Jason Douglas
Fire Captain Joe Carter
Police Chief Robert Shore
Public Works Director Cliff Hendrix
Assistant Public Works Director Billy Sandifer
Finance Manager Cindy Collins
H/R/Purchasing Manager Missy Edenfield
Director of Tourism/Business Development Heidi Jeffers
Police Captain Kevin Wadley

Councilwoman Rashida Taylor was absent from this meeting.

There were no guests present.

CALL TO ORDER AND WELCOME

Mayor Pro tem Kilcrease called the meeting to order and welcomed everyone.

INVOCATION

Captain Joe Carter gave the invocation.

PURPOSE

The purpose of this meeting was to present goals and to lay out information as to where we are financially, our challenges, and opportunities.

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Ms. Cody announced that she was not presenting a balanced budget at this time. She said that the team needs policy advisement from council.

Ms. Cody announced that all the major revenues have been collected for FY 19 and we still have a couple of months of expenditures. It looks like we will be using the fund balance that was budgeted.

Councilman MacGregor said that he would like to see monthly budget reports that reflect the allocated revenues. Councilwoman Harrelson said she likes the monthly budget report to see where we are.

Ms. Cody presented the following:

FY 2019 Fund Balances

- \$100,000 Animal Shelter Bequest
- \$11,571 Fire Department Certificate of Deposit
- \$109,302 TIA Local Share
- TIA Project Collections for identified projects
- \$549,136 Replacement & Renewal in Water/Sewer
- \$454,716 SPLOST 2005 Series (Finished)
- \$336,966 SPLOST 2018 Series (Ongoing)
- \$992,867 FY19 Unrestricted Fund Balance

FY 2019 Fiscal Year End Projections General Fund

Year End Projections

\$3,393,289.42 Revenues
\$3,397,722.05 Expenditures
\$-4,432.63 FY 2019 Projected

FY 2019 Notes

Revenues utilized fund balance (\$265,148)
Edmunds Software Conversion
New entities established:
Hotel/Motel Tax
Sanitation Enterprise Fund

FY 2019 Fiscal Year End Projections Water/Wastewater Enterprise Fund

Year End Projections

\$1,076,811 Revenues
\$1,085,501 Expenditures
(\$8,690) FY 19 Projected

FY 2019 Notes

No accounting for depreciation, capital, or extension of system
Edmunds Software Conversion

- Issues crediting proper revenue account
- Working out ability to accept credit card payments

FY 2019 Fiscal Year End Projections Sanitation Fund

FY 2019 Budget

\$501,932 Revenues

\$369,871 Expenditures

\$132,061

2019 Year End Projections

\$375,138 Revenues

\$371,274 Expenditures

\$3,864 FY 19 Projected

- Edmunds Software Conversion – cards to be accepted; problems with crediting proper revenue account.
- Newly Established Entity
- Unable to implement approved rate change due to discrepancies in customer billings
- **No Capital or Depreciation accounted for**

WATER/WASTEWATER DEPARTMENTS AND ENTERPRISE FUND

Public Works Director Cliff Hendrix and City Manager Mandi Cody gave a presentation regarding the Water and Wastewater Departments and Enterprise Fund- University of North Carolina Financial Health Checkup and Rate Study; Performance Goals and measurements including Capital Improvement Plan and staffing for FY 2020.

The top three priorities are as follows:

- Eliminate Brown Water
- Repair and Maintain Infrastructure
- Financial Stability through Cost Recovery

A couple of issues we are facing with wastewater are as follows:

- Electrical Panel needs an upgrade at the Lytell Street location
- Hospital needs a grease trap
- Worn volute and standpipe at the Lytell Street Pump Station.

We have 2152 water customers and pump 411,737 gallons of water per day. We have 1839 wastewater customers.

A Financial Health Check Up and Rate Study was done for the City of Metter by the Environmental Finance Center at the University of North Carolina Chapel Hill.

Operating ration is a measure of the system’s self-sufficiency.

- It is calculated by dividing annual operating revenue by annual operating expenses
- A ratio of 1.0 would mean that a utility brought in exactly enough revenue to cover operating expenses, but systems should sim for a higher ratio so to cover other costs such as debt service and capital needs, as well as putting money away into reserve funds

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- “With depreciation, Metter’s Operating Ratio in 2018 was 1.09 and in 2017 was 1.00, and without depreciation, the ration was 1.45 in 2018 and was 1.31 in 2017, indicating that for the year we analyzed the water system did bring in enough revenue to cover the costs of providing water.
- “Both suggest that Metter is only investing money at the same rate its assets are decreasing in financial worth which may not be sufficient from an engineering perspective.”

Percent of Capital Assets Depreciated shows how much of the infrastructure’s value has been lost over time and is a proxy for the life remaining in the life of assets.

- Lost 54 percent of their value which is an increase from
- “This number is a little higher than we usually see and is an indication that your infrastructure is aging and will need to be replaced soon”.

Needed Capital Improvements

- \$4 million of priority one and priority two replacements identified in engineering study
- No mapping or master planning of needed upgrades or replacements
- Dated list shows 37 lines on “water line replacement priority list services” (list is dated and lacks information)

Council was provided with a list of water system infrastructure and sewer system infrastructure currently in need of improvements.

Debt service coverage ration measures a system’s ability to pay its long-term debts. This shows whether a system has enough operating revenue left over after it has covered operating expenses to pay off debt.

- A ration of 1.0 would mean that a utility has exactly enough money left over after paying operating costs to pay debt. As you might expect, lenders want this number higher than 1.0 because there may be revenue shortfalls in any given year.
- 2018 was 2.45 and in 2017 was 1.69.

FY 20 Budget

| | |
|-------------|---|
| \$1,076,811 | FY 20 Projected Revenues at Current Rates |
| \$1,101,137 | FY 20 Projected Expenditures |
| (\$24,326) | |

FY 20 Budget Notes

- \$124,200 allocated to replace water lines. This could be reduced to balance.
- \$231,000 requested, but denied, to replace sewer lines. If add deficient becomes (\$255,326).
- No depreciation calculated.

- If repairs aren't budgeted in operating, will have to eliminate or withdrawal from limited R&R funds.

Needed Changes to Rate Structure

- Cost recovery for O&M is 95 %. Should be 100%
- Depreciation should be accounted for
- Capital should be accounted for (reduce burden on SPLOST)
- Base rates should cover total cost of system
- Tiers are designed to encourage conservation and should demonstrate significant cost increase past normal household consumption
- Base rates and tiers should distinguish between customer classes: Residential and Commercial as each class has a different demand on the system.

Proposing to add one personnel which will be a water/wastewater helper at a proposed grade of 10.

Council asked City Manager Mandi Cody and Public Works Director Cliff Hendrix to study the rate structures and come up with a plan.

Sanitation

The county is charging \$35 per ton to dump bulk waste (junk). The city does not charge the customers for this service, so this presents a challenge. We have 1414 residential services and 149 Commercial Services. Residential customers pay \$17 per month for sanitation services and commercial pays \$20. Last year a new rate structure was approved but was not implemented due to some discrepancies in the present way we are billing. It was approved to increase residential to \$25 and commercial to \$42. This will only meet the day to day operation costs which includes no capital improvements. We need to increase these fees by \$5 per month to reach our goal. Cost allocation transfers suggest changing the rates to \$30 for residential and \$47 for commercial.

Councilwoman Harrelson said that the city needs a strategic outlook – a 10-year projection. City Manager Mandi Cody and Public Works Director Cliff Hendrix will put together a plan. Mayor Boyd suggested looking into privatizing this service.

City Manager Mandi Cody is recommending changing the trash pickup from 5 days a week to 3 days per week. This would allow us to transfer the 3 employees from Sanitation to Streets and Lanes for the other 2 days to improve the aesthetics of our town. She suggested changing to 3 – 10-hour workdays for sanitation and 1 – 10-hour workday for streets and lanes.

Ms. Cody recapped FY 17, FY 18, and FY 19. The FY 20 budget is based on aesthetics, infrastructure improvements, and targeting and leveraging assets. This can be accomplished through financial resources, team members and by continuing to build

opportunity. There are proposed rate changes and authorized pay grade changes. This can be accomplished through policy implementation and pay grade changes.

General Fund Amendment to Authorized Positions

| Current Position | Amended Position | Current Grade | Proposed Grade | Number of Positions |
|---|---|----------------------|-----------------------|--|
| Visitor Center Attendant – Part time | Full Time Visitor Center Coordinator | 10 | 12 | 1 – PT – 1 FT (replaces part time position with full time) |
| Administrative Assistant – Economic Development | Eliminate position (re-assign Admin in City Hall for shared responsibilities) | 15 | - | 1 - 0 |

FY 2020 Proposed Rate Changes Authorized Pay Grades

| Current Position | Restructured Position | Current Rate | Proposed Grade | Number of Positions |
|---|--|---------------------|-----------------------|----------------------------|
| Director Tourism & Business Development | Director of Community & Economic Development | 21 | 23 | 1 |
| Entry Level Patrol Officer | | 14.33 / hr. | 15.05 / hr. | 4 |
| City Clerk | | 21 | 22 | 1 |
| Administrative Assistant | | 12 | 14 | 1 |
| Accounts Clerk | | 10 | 12 | 2 |
| Municipal Court Clerk | | 14 | 15 | 1 |
| Sgt. Patrol Commander | Lt. Patrol Commander | 19 | 19 | 1 |
| Cpl. Investigations | Sgt Investigations | 17 | 17 | 1 |
| Cpl Patrol | Sgt Patrol | 17 | 17 | 4 |

Policy Implementation: Once an employee has reached maximum compensation level for that position – the employee will NOT qualify for continued merit increases. Would qualify only for cost of living adjustments to (entire) pay plan.

A pay grade change does not necessarily mean that an employee will see an immediate increase in compensation. Often, that employee is already receiving wages within that range (usually due to longevity) and the effect is to increase the maximum wage that can be earned in that position.

Partner Entity Funding Request

| Partner | FY 19 Funding Amount | FY 20 Requested | FY 20 Recommended |
|---------------------------|-------------------------------|-----------------------------------|--|
| Drug Task Force | \$8,500 | \$8,500 | \$8,500 |
| Industrial Dev. Authority | \$70,000 | \$73,638.55 | \$73,638.55 (SDS) |
| Airport | \$12,244 No Capital | \$13,994.8 O&M \$27,014.80 CIP | \$13,994.80 (SDS) \$27,014.80 CIP/SPLOST |
| Communities in Schools | \$6,600 | \$10,000 | \$6,600 |
| Library | \$44,680 | \$48,462.12 | \$48,462.12 (SDS) |
| Tree Board | \$20,900 \$8,200 Tree City | | \$8,200 Tree City |
| Totals | \$171,124 | \$171,610.27 | \$213,425.07 |

Intergovernmental Funding Levels City of Metter to Candler County

| Service | FY 2019 | Candler County Proposed FY 2019 Budget | City of Metter Proposed FY 2020 |
|------------------|--|---|--|
| Tax Commissioner | \$11,000 (FY 18 and FY 19 Payment) | | \$5,400 (SDS) |
| Inert Landfill | \$30,000 | | \$30,000 |
| Recreation | \$0 | | \$0 |
| Jail/Dispatch | \$40,000 FY 17 Payments \$65,000 – FY 19 | | \$40,000 – FY 18 Payment (last one) \$65,000 FY 20 |
| TOTAL | \$146,000 | UNKNOWN | \$140,400 |

Intergovernmental Funding Levels Candler County to City of Metter

| Service | FY 2019 | Candler County Proposed FY 2020 Budget | City of Metter Proposed FY 2020 |
|-----------------|---|---|--|
| Fire Department | \$298,931 | | \$303,899 O&M \$80,280 Capital |
| Animal Control | \$0 (waived \$84,000 Recreation Payment) | | \$0 |
| TOTAL | \$298,931 | | \$ |

Property Tax: Facts & Figures

- 1 mill of property tax in Metter equates to approximately \$75,000 in general fund revenue.
- 1 mill of increase equates to \$40 increase on homeowner’s tax bill for \$100,000 FMV home.
- FY 18 saw first tax rate increase in more than 20 years (7.958 to 9.99); FY 19 went to 11.99.
- FY 19 balanced by 2 mill tax increase; equivalent of one mill from fund balance; and \$189,000 from CD asset.

Services Supported by Property Tax – General Fund

- Police Department
- Fire Department
- General Administration
- Finance
- Code Enforcement
- Streets & Lanes – potholes, sidewalks, landscaping, paving
- Events
- Economic Development

FY 20 General Fund Funding Recommendations

| | | |
|-----------------------|-----------------------|------------------------|
| Revenues | Expenditures | Difference |
| \$3,076,858.50 | \$3,541,361.58 | (-\$464,503.08) |

Policy Options to Meet FY 2020 Funding

- Reduce Service Levels = Reducing Staffing – equivalent of entire Streets & Lanes Department
 - Increase Property Taxes – equivalent of 4.84 mills
 - Increase Sanitation Rates and transfer cost allocation of \$81,692.10
 - Implement Fire Fee and relieve \$303,865.50 from General Fund
- Result – (\$-78,946)**

Alternative Route = User Fees

- Requires business like operation = responsible for efficient and “profit” producing operations
- Dedicated, stable, long term financing source
- Applied directly to user = more equitable
- Reduces burden on General Fund = Reduces burden on property taxpayer
- Can supplement General Fund
- Applies equally to all – including tax exempt properties

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- Build in cost recovery
- Build in capital and equipment needs to relieve SPLOST demands

Tax Exempt Properties within City of Metter

551 Properties within City are Tax Exempt
 Assessed Tax Value of \$24,740,592

Tax Exempt properties pay no property taxes
 Tax Exempt Properties do pay user fees – water & sanitation

6.26% Properties
\$296,637 Exempted from City Tax Base Annually

Fire Fee Illustration

| # Exempt Parcels | Percentage Property | Assessed Value Parcels |
|--------------------------------|---------------------|------------------------|
| 551 | | \$24,740,592 |
| | | |
| # Non-Exempt Properties | | |
| 7,277 | | \$79,036,514 |
| | | |
| # Exempt Properties | | |
| | 8% | |
| | | |
| Residential Units | | |
| 5,436 | 75% | |
| | | |
| CR and Industrial Units | | |
| 1,590 | 22% | |
| | | |

| |
|---|
| <u>\$308,866 City of Metter O & M Fire Dept. Budget FY20</u> |
| |
| <u>\$360,000 City of Metter Capital Budget Fire</u> |
| |
| <u>\$720,000 Total</u> |

| |
|--|
| Fire Fee Option |
| |
| \$45.99 per property per year = Total O&M Budget |
| |
| \$91.98 per property per year = Total O & M and Capital |
| |

Fire Fee

- ❖ A fire fee is a charge for fire services. The revenue collected can only be used for fire services to customers.
- ❖ In Georgia, fire fees are similar to water, sewer, or sanitation fees, in that these services are typically funded through user fees.
- ❖ Are considered more equitable because they apply to ALL property within City (including tax exempt).

Fire Protection Fees

- Ensure that residents and business owners receive fire fighting services at the desired service level;
- Continue to fund full time fire fighter positions;
- Ensure that there is adequate funding for operational and training expenditures;
- Enable the City to work to maintain the ISO rating of 3; and
- Protect the lives and property of all citizens through emergency response, education and fire prevention.

Council agreed that businesses should pay by multiplier and residents by set fee. Council also agreed that the total overall cap for increase on utility bill should be \$20 to \$25.

Ms. Cody presented the capital needs. She also explained Pay as You Go/Financing Sources and Pay as You Use Lease Financing and Bond Issuance. She pointed out the following policy decisions:

- Fail to Improve or Replace Infrastructure
- Support TIA Renewal
- Fees verses SPLOST
- Pay as You Go or Pay as You Use

Council agreed on the pay as you use.

Chief Shore presented the FY 2020 proposed budget for the police department and animal shelter.

Heidi Jeffers presented the FY 2020 proposed budget for economic development.

This was strictly a budget work session and no votes were taken at this meeting.

ADJOURNMENT

After no further discussion, Mayor Boyd closed the budget work session at 3:28 p.m.