

Minutes from the Finance Review Committee meeting called May 19, 2023, at 1:30 P.M.

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FRIDAY, MAY 19, 2023
FINANCE REVIEW COMMITTEE MEETING – 1.30 P.M.

Present: Frank Hall, Chairman
Joey Ginn, Deputy Chairman
Steve Novakoski
Vickie Gainer, City Manager *[from 1:34pm]*
Kiki Roman, Finance Director *[from 1:34pm]*

Apologies: Sue Bynum
Absent: Al McCambry

Item #1. Call to Order. Chairman Frank Hall called the meeting to order at 1.30 p.m.

Item #2. Chairman's Report.
The Chairman had no report.

Item #3. Approval of minutes for the February 20th meeting.

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|----------------------|---|
| Motion by Ginn | To approve the minutes for February 20 th meeting. |
| Second to the motion | Novakoski |

On Vote:

| | | |
|-----------|-----|--------------------|
| Ginn | aye | |
| Novakoski | aye | |
| Hall | aye | Motion passed: 3-0 |

Item #4. Discussion of Fiscal Year 2024 Utility Rates.

Ms. Roman explained the item briefly. That there has not been enough investment in the sewer department for a very long time, not reflecting on the current administration. Ms. Roman introduced her recommendation to move forward to start the corrective process. The committee reviewed the page showing a comparative analysis of COLH with the neighboring municipalities.

Ms. Roman explained that the past few sewer rate increases recommended by Stantec and approved by the Commission at the time, had not occurred due to a decision and vote by the Commission subsequent to a number of back-to-back national and state disasters.

Ms. Roman introduced Utility Director Chris Lightfoot to discuss the Sewer 5-year Capital Outlay schedule.

Mr. Hall asked how many lift stations were in the city. Mr. Lightfoot advised there were 76 lift stations in the city with 2 pumps in each.

Mr. Lightfoot proceeded to discuss the Water 5-year Capital Outlay.

Mr. Hall asked what ARPA money meant. Mr. Lightfoot said it is the American Rescue Plan Act grant.

Ms. Roman handed out and spoke to the Water usage FY 2022 actuals (for Modeling) spreadsheet – attached.

Mr. Hall asked if the Water department shortfall is being supplemented by the general funds. Ms. Roman said no.

Ms. Roman handed out and spoke to the Sewer FY 2022 actuals (for modelling) spreadsheet – attached.

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Ms. Roman said she used the basic rates and usage rate and is of the opinion that the base rate needs to increase - a first step to raise the water base rate by \$7 and the sewer base rate by \$7. If a person is an average user, they will use about 5000 gallons per month which equates to about \$20 extra a month on her recommended base rate increase.

Mr. Ginn asked what this would generate based off of the usage for FY2022? Ms. Roman said it will generate \$889k for water and \$753k for sewer. Ms. Roman provided a printout (attached) showing the projected revenue and deficits.

Mr. Hall asked when the last time was the city had a base rate increase. City Manager said there has not been one since she has been with the city.

Mr. Hall asked about the sewer, with additional revenues of \$753k we are still at \$885k deficit? Director said correct.

Ms. Roman said that with her recommended usage rate the deficit will reduce to \$447k.

The Committee briefly discussed the issue. The Chairman said that this is eye opening and he is a firm believer of working within your means and taking corrective action. He said he is concerned about people who are on fixed incomes, but at the same time the city has to do something. Ms. Roman said that she feels it is a national issue that the city cannot afford to absorb and that no one will be happy if we have a failure at the sewer plant.

Ms. Roman said due to transferring about \$1m from sanitation to the sewer account earlier in the fiscal year, we now have \$144k cash available in the sewer department plus close to \$5m in impact fees. The residents also want the city to raise salaries for staff, but the city cannot use impact fees for day-to-day expenses.

Mr. Novakoski suggested that the commercial base rate should be more than the residential base rate. He wondered if we have any analysis of calculating what our water hook ups will likely be in 2024? Ms. Roman said that based on our current analysis if we have more hookups without raising the rates the deficit will only grow.

Mr. Novakoski would like to have some numbers for over the next few years to give us an idea of how the numbers are likely to look and how long it is likely to take to reach a positive balance.

Mr. Hall said that no matter what you do the residents will be upset. They want to know exactly what they are dealing with. He thinks some numbers need to be run to show the potential outcomes over the next 3-5 years.

Mr. Hall said we need to identify, plan, and address the issues.

Mr. Novakoski said he felt that initially the base rate for sewer can go up in a chunk.

Mr. Hall said that if you look at these rates, we as citizens have been paying way under what the rates should be for too many years. He feels the commission needs to step in and do the right thing.

Mr. Hall asked when does the budget process start? Director answered June 1st and she needs something from this meeting by August.

Mr. Hall asked her to go back and do an analysis of the next 5 years (including salaries, inflation for merit increases etc.) – he would like this analysis in June sometime.

He would like a workshop on this topic, to be publicized appropriately to get maximum input from the residents.

Ms. Roman said she had asked the department to put together a maintenance schedule. She would like to see us put it in place, adhere to it and keep the plant running instead of kicking the can down the road.

Mr. Hall asked what a new lift station cost. Public Utilities Director answered between \$750k - \$1m.

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Mr. Hall asked can we pay it out of impact fees? Director answered only if it is built new on a new location because we are growing, not on a current location because a current one has failed.

Mr. Ginn said that we should put it to the residents that there were increases that were approved but not implemented, and that we now need to implement those that were not implemented at the time they were approved.

Mr. Hall asked if they have a project list with a red, green, and yellow light. Director said yes and there are 26 in the red light at the moment, as rated by staff.

The Chairman asked that the committee meet again in July sometime.

The Chairman opened the floor to the public.

Mr. Walker – 1106 Michigan Ave – agreed that the citizens do not run their homes in this manner. The water company was minus 200 accounts for a steady period and that is no way to run a business and you should not transfer funds between accounts. There were 200 accounts that were given water and were never charged. That is why we are in trouble. The excuse given was that the meters were destroyed, and the city doesn't have any. So, the city lost a lot of money there. The comment about the 2019 increase – yes, they agreed to 4.5% over a 5-year period, and the city has one year left because it sunsets after that. There was a 3% increase recommended every year on those two entities or COI whichever was greater. Was this 3% increase ever given? Coupled with that the sewer rate is based on the water rate, what goes in must go out. When the city increased the sewer rate, did they increase the water rates? He answered - No.

Mrs. Walker – agrees there should be no transfer of funds between accounts. She recommends transparency and letting everyone know exactly what the situation is. She doesn't agree with increasing the base for the full amount as it is not fair on smaller households but said raising the usage rate sounds fairer.

Mrs. Beshearse would like to see sewer, water, and garbage pay for themselves. She thinks even the splash pads should pay for themselves.

City Manager clarified that since she has been the City Manager, they have NEVER transferred funds from Enterprise to General funds.

Item #5. Review of City Debt.

Ms. Roman said there had been no changes since the last meeting in regard to the debt. Staff has discussed the use of surtax funds in fiscal 2024 and as it stands now there will not be funds available for debt reduction.

Mr. Hall asked regarding disaster recovering debt, variable interest rate, and where we were today on that rate? Ms. Roman will check and let them know. Ms. Roman explained that the payment is stagnant and only the rate was variable payment to payment.

Mr. Hall asked if the money left over after reimbursement would be the money that was stolen during the previous administration. Are we still looking to the step down that this is only going to be paid down by 2034? Ms. Roman agreed. City Manager said that once we are reimbursed by FEMA any extra money can be paid to the debt. And we should know this figure in 2024 sometime.

Mr. Hall would like to see at the next meeting what is in the bank account with the insurance funds we have claimed and the FEMA projects that have been approved. Ms. Roman said that cash today in the bank is \$6m but we have been making progress payments. City Manager said we are likely to get another \$1.5m payout from our insurance, as was communicated to her that morning. We should be receiving \$12m in the future from FEMA.

Mr. Hall would like a best case 24 month AND long-term projection on debt and pipeline FEMA and insurance recovery funds, and what is anticipated to be spent.

Chairman opened the floor to the public.

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Mr. Walker – in the debt review relating to the audit they said you cannot and should not incur any debt, and they listed the debt at \$60m. He clarified paying off the debt was in 2046 (not 2034). Mr. Walker brought up the court case against the previous administration and contractors and asked how likely it is that the city will recoup any of the stolen funds.

City Manager said that the FBI has got a spreadsheet from her relating to how much certain contractors were paid illegitimately from the city.

Mr. Hall said we should not anticipate or rely on any of that money coming back to the city.

Item #6. Discussion about the next meeting date and time.

It was agreed to meet June 23rd @ 10am as the next meeting date and time.

Item #4. Adjourn.

Motion by Ginn

To adjourn the meeting.

Second to the motion

Mr. Novakoski

On Vote:

Ginn

aye

Novakoski

aye


Hall

aye

Motion passed: 3-0


Meeting adjourned at 3:05 P.M.

APPROVED THIS 23^d DAY OF June 2023.



Frank Hall, Chairman

ATTEST:



Vickie Gainer, City Manager

prepared by Cicelia Rushing