

A workshop meeting of the City Commission was held on March 6, 2012 at 5:00 p.m. in the Commission Chamber at the Municipal Administration Building. The meeting was called to order by Mayor Michael S. Carter.

**COMMISSIONERS PRESENT:** Jonathan Thornhill; John Paul Rogers; Betty Wojcik; Terry Y. Howell; Mayor Michael S. Carter

**COMMISSIONERS ABSENT:** None

**CITY REPRESENTATIVES PRESENT:** Terry Leary, City Manager; Chuck Galloway, City Attorney; Clara VanBlargan, City Clerk; Jacquie Hawkins, Deputy City Clerk

[Meetings are recorded but not transcribed verbatim]

## **Agenda Item 2. Long-term Financial Planning**

Finance Director Dorothy Pendergrass went through the Long-term Financial Planning material that had been provided to each Commissioner.

The following points were made by staff:

- The City is doing okay with the utility day-to-day operating expenses. The Utility Department can afford their operating costs or the repairs and maintenance, within reason, but there is no money for capital improvements.
- Capital expenditures have been put off for a long time and can't be put off any longer or there will be no guarantee that the city can provide everyone with water or the ability to flush toilets because the infrastructure in some areas of the city is 80 years old and the pipes have deteriorated.
- There is roughly \$4.5 million dollars worth of capital improvement projects in the 5-year plan needing to be done. Some big ticket items, such as the downtown sewer, are not in the 5-year CIP yet, and it does not include CIP projects from the General Fund.

**URGENT PROJECTS:** The Commission asked for the most urgent projects in the Utility CIP not covered in the current revenue. Public Works Director Tom Moran said the following were the most urgent projects

- **Water System:**
  - The most urgent need on the water side is the replacement of about 75 miles of 2" galvanized pipe with 8" lines.
  - There is no way of knowing the condition of the pipes in various areas of the city and their only indication of a problem is when someone reports bad flow or when the line breaks.
  - The galvanized pipes going to some of the houses have to be replaced by the owner at the owner's expense because the city is not responsible for replacing that portion, and so even after the city replaces its portion, some residents may not see the benefit.
  - In some cases an engineer will be needed to draw up the plans and do the surveying so they don't hit things like sewer lines, storm-water lines, fiber-optic cable and Comcast cable.
- **Sewer System:**
  - The most urgent need on the sewer side is the replacement of the clay terracotta pipes with PVC pipe. Terracotta pipes are prone to root infiltration causing sewage to back up into houses,
  - About a year ago an RFQ went out for wastewater infrastructure improvements but it was tabled for lack of funds for the engineering study, a study that would include things like surveying, TV, and smoke testing, and probably costing \$100,000.00.

- Right now staff is only able to haphazardly do band-aid fixes so a plan for funding needs to be established.
- Each year about \$600,000 to \$700,000 is budgeted for utility maintenance and repair. If \$100,000 of that is used for the study, there would be that much less maintenance and repairs that could be fixed this year. There is a zero unrestricted balance in the Utility Fund and \$70,000 in the Emergency Sinking Fund, which is the amount the Commission wanted to add each year to build that fund up to the 15% level, which is \$700,000.
- Some areas are worse than others, like the C Street project, Greenbrough [subdivision] area and most likely the area around Lake Wailes Lake because that is an old sewer system built around 1920, about the same time as the C Street area.

#### FUNDING POSSIBILITIES:

- **Utility Increase of \$5.40 per ERU:**
  - If the recommendation made in November to increase the utility fee by \$5.40 each ERU, depending on the meter size, is approved, it will generate \$575,000, which will be sufficient to fund the projects listed in the 5-year CIP; those not paid by impact fee or grants, or those financed because “pay-as-you-go” could not realistically be used. Once established, it will take approximately three months before the rate increase starts to produce the funds.
    - The \$5.40 per ERU will generate enough to cover all the 5-year CIP projects, but instead of planning for all of them at once, it could be done in increments.
    - In today’s economy, \$5.40 per ERU may be more than the public can bear. It is possible that a much lower amount would be sufficient to cover the most urgent projects and by the time the rest is needed, the economy may improve or there may be growth in the community. If the economy doesn’t improve, further adjustments can be made later.
- **A Lesser Utility Increase:**

One possibility is to decide on an increase the public can bear and staff can calculate what can be done with the amount of money it will generate. A three dollar increase would be the equivalent of a bag of chips and a soda, so citizens may need to prioritize their budgets in order to make the necessary repairs.
- **Borrow the money:**

The utility fund cannot afford any additional debt, but financing will have to be used for the larger projects that cannot be funded by “pay-as-you-go”.
- **Debt reduction:**

In four-and-a-half years some of the heavier debt starts coming off, and that money can be allocated to go toward capital improvements and future projects, whether as pay-as-you-go projects or in the form of additional financing.
- **Other Options:**

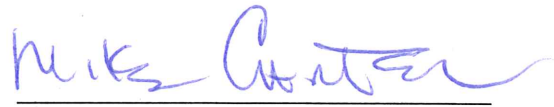
The Commission can pick and choose options or any combination of choices

#### COMMISSION REQUESTS FOR STAFF:

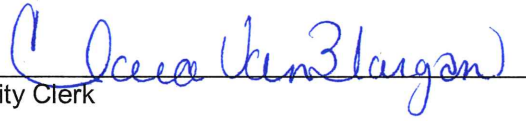
- Calculate how much money will be needed for the galvanized pipe replacement in the most urgently needed areas.
- Prioritize sections in town that have the most urgent needs.
- Formulate a time-table of what is to be done over a two to four-year period.
- Calculate how much of a utility fee increase will be needed to pay for just the urgently needed projects and the sewer study.

**PUBLIC COMMENT:** There was none.

There being no further business, the meeting was adjourned at 5:48 p.m.

  
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Mayor/Commissioner

ATTEST:

  
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City Clerk