

**CITY OF CALHOUN  
MAYOR, COUNCIL & STAFF PLANNING RETREAT  
GOLD CREEK RESORT  
FRIDAY, APRIL 14, 2000**

**MINUTES**

- 2:00 P.M. Mayor Palmer welcomed everyone to the annual planning retreat for the Mayor, Council and staff. He stated it was his desire to review the current operations and plan for the future. He stated he was extremely proud of the multi-faceted operations of the City of Calhoun and of the dedication of the election officials to spend their personal time to plan for the continued operations.
- 3:15 P.M. Cathy Harrison, City Administrator and Finance Director gave an overview of the proposed budget for 2000-2001. She reviewed areas of projected increased revenues, additional personnel being requested by department heads, and any unusual expenses for the departments, as follows:
1. The General Fund income budget includes a \$1,476,404.00 transfer from the Electric Department. It includes an estimated \$700,000.00 in gross receipts taxes from natural gas marketers, a \$99,209.00 transfer from the golf course to go toward the long-term debt (a 19% increase from the current year) and a \$306,000.00 transfer from Municipal Court.
  2. The General Administration expense budget does not include any new personnel. It does include an airport budget of \$148,384.00 for operating and capital expenses. However, \$26,336.00 will be reimbursed by the Airport Authority for the County's one-half of wages. The budget includes \$100,000.00 as one-half of the roofing expense for the Library. The General Administration budget includes the same social service transfers as were approved last year, plus the van driver's wages and van operating expense for the nutrition project, which has been on-going for the last ten years. These are combined under the "welfare related" heading for a total of \$54,799.00.
  3. The Public Safety expense budget includes only the addition of the new Chief Of Police, with a short overlap of pay for the current Chief. The Fire expense budget includes the addition of nine new firemen, with six being added in July and the other three a few months later.
  4. The Public Works expense budget includes one new employee in the maintenance and shop (parks, grounds and upkeep) area. The local paving funds have been deducted and an estimated \$300,000.00+ is expected in paving and LARP work from the County.
  5. Enterprise Funds include individual income and expense budgets.
    - a. Sewer – There are no projected rate increases for sewer. The reduced rates for the current 330 customers, as per HB-489, have been included. Sewer Construction includes a new two-man crew for maintenance work associated with the infiltration crew. We have estimated a rebuild of four lines next year and new lines paid for by developers, totaling \$300,000.00.
    - b. Water – There is a water rate increase included in the income budget. The increase is projected to be 5¢ for all gallons above the minimums for customers inside the City and 10¢ for those outside the City. The total increase totals \$234,743.00. The Water Construction Department includes a new three-man crew, which will allow the meter replacement and backflow prevention work to begin again. This is a state-mandated activity that we must continue. We also included funding for rebuilding four existing water lines and included \$374,000.00 in new services, which will be paid for by developers. The water expense budget includes a \$487,144.00 transfer to sewer to cover its operating shortage. A \$32,913.00 balance of income was transferred to the Electric Department to assist with the general fund transfer.
    - c. Electric – A 6% rate increase is projected with plans to level the winter and summer rates for residential customers prior to the start of the summer season. No new employees were projected. There is a \$1,476,404.00 transfer to the General Fund included in the budget, plus the principal and interest debt service payments to MEAG and the City. The MEAG refund of \$633,000.00 is projected to assist in these payments. The generator portion of the electric budget includes \$200,000.00 for a new transformer for the new generator. We felt this was a

necessary purchase to make at this time. In fact, we need permission to order at this time, since it may take six months for delivery.

- d. Telecommunications includes new revenue sources: long distance sales to industrial customers, internet, T-1's, more dark fiber and Ethernet sales. We have projected two new employees, a manager and a service technician. We are excited about a person who had provided Y2K contract services for us last year who has expressed an interest in the job. There is no repayment of principal, only interest, projected for the loan due the Reserve Fund.
- e. Natural Gas – The Shell contract should be signed and the initial payment of \$10.00 per customer should be paid to us prior to June 30, 2000. Therefore, only the customer service and marketing revenues are projected for next year.
- f. Golf – We have projected 35,500 rounds of play, with green and cart fee increases. There are no new employees projected, only the equipment mechanic position, which has been open for several months. The Golf Advisory Commission had requested a sizable pay increase for the golf pro. However, after discussions with the Mayor, this is being phased in over the next three years.
  - 1) Special Funds: The North Industrial Project is being included since the absence of a service delivery (HB-489) contract prevented any borrowing for this fiscal year. Engineering is being completed, in addition to right-of-way procurement, hopefully by July 1, 2000, in order for bids to be taken early. We lost our ARC grant this year due to HB-489. I am exploring a possible portion of the project pulled out and used for a grant application later this year.
  - 2) Water Revenue bond debt is only for the water system. The bond series that funded sewer projects will be paid by June 30, 2000.
- 6. General Obligation bond debt is for the golf course, with the golf course funding a little over ¼ of the debt payment for next year.
- 7. Revolving Loan budget is the estimated revenue from loans and investment of idle funds.
- 8. Recreation is a stand-alone budget, with tax revenues, concession income, and city funds transferred from the General Fund to fund all operating expense and a substantial amount for roof repairs. The new method of operating will result in an additional \$16,866.00 local share payment by the City above last year's budget.
- 9. Municipal Court includes police fines of \$420,000.00, with payments mandated to the state and county deducted and the balance, \$306,000.00, being transferred to the General Fund.
- 10. Hotel-Motel Tax includes city tax collections and contract payments to the Chamber and the Industrial Development Authority. Please remember the City contributes \$4.00 for every \$1.00 the County contributes to these two organizations.
- 11. Solid Waste includes garbage pick-up charges for our commercial accounts, rental fees for dumpsters, and the landfill fees for residential customers. The City has projected a 10% rate increase on the pick-up and rental fees for commercial accounts. The balance of the BFI payments for the residential pick-up and disposal charges are paid for through taxes, as indicated by the General Fund transfer.
- 12. Intersection Improvements: We do not anticipate the improvements that will allow the removal of truck traffic in the downtown area to be completed by June 30, 2000. Therefore, it has been rolled over to 2000-2001.
- 13. The River Park Project includes the trail, and bathroom and concession stand construction, to be carried over for completion from 1999-2000 to this year.
- 14. The School Trust portion of the budget will be completed following our meetings and discussions with the School Board.
- 15. Harrison stated the first budget hearing will be May 8, 2000. Mayor Palmer stated additional work sessions will be scheduled with the Council to provide a finished product for the final public hearing in June.
- 16. Following review of the proposed 2000-2001 budget, Harrison provided a list of proposed budget amendments for the current fiscal year (1999-2000.) Harrison explained that in order to meet the changing needs of various operations, to include those items that had been verbally approved by the Mayor and Council but were not officially approved, and to include additional revenue above and beyond the original projections, the proposed amendments are outlined for the Mayor and Council to consider prior to the next meeting.
- 17. Harrison reviewed the current reserves for both the General Fund and the Water Sewer and Electric Funds, as follows:
  - a. At this time, we have the following funds designated officially as reserves:  
 General.....\$3,156,331.91

Sewer.....	273,305.03
Water.....	762,877.04
Electric.....	<u>519,292.77</u>
<b>Total.....</b>	<b>\$4,711,806.75</b>

b. We have the following principal loans outstanding, which will increase the sewer, water and electric reserves:

Generator Loan Balance.....	\$4,973,888.50
Telecommunications Loan Balance.....	<u>1,829,221.00</u>
<b>Total.....</b>	<b>\$6,803,109.50</b>

c. Based on the policy of maintaining a four month operating budget, we need the following reserves:

General.....	\$4,182,518.00
Sewer.....	2,119,575.00
Water.....	2,348,038.00
Electric.....	<u>7,678,383.00</u>
<b>Total.....</b>	<b>\$16,328,514.00</b>

d. Based on projected earnings of cash investments and interest from the loans, we can anticipate a growth of approximately \$550,000.00 annually, which will take 8¾ years to reach the current reserve level if we allow interest alone to fund the balance desired for reserves.

e. Allowing a 4% annual increase in budgets, the reserve requirement increases to a new level of \$23,937,784.00 in 8¾ years. However, the 4 months level is a conservative reserve and in 8¾ years, the City may wish to lower the requirement to 3 months, which would be \$17,953,338.00, based on current budgets at that time and the City would be short by only \$1,624,824.00.0

18. Harrison reviewed the renewal and replacement funds and provided information regarding the current depreciated value of the utility systems, as per the following:

a. At this time, we have \$1,609,031.65 in Renewal and Replacement funds. During this fiscal year, I have transferred only \$200,000.00 to the fund. The other \$400,000.00 has been proposed to be deducted as amendments to help fund the \$700,000.00 in projects not included in the original budget. These items are \$118,000.00 for the purchase of property at the landfill; the street light project at College Street and Red Bud Road for \$117,000.00 (excluding Electric Department labor;) the increased cost for Piedmont Street at \$416,000.00, plus approximately \$132,209.00 in contract labor costs in the Water and Sewer Construction Departments for the water and sewer lines on Piedmont.

b. Our revenue projections did not leave room for very much growth above projections. These increases covered the areas in overtime pay and associated costs to meet the very demanding 9 months we have had in terms of construction and growth, and to offset the low level of expenses we projected last year.

c. The June 30, 1998 annual report indicates a current depreciated cost value of our utility systems as follows:

Water.....	\$25,297,563.00
Sewer.....	33,566,201.00
Electric.....	<u>5,373,288.00</u>
<b>Total.....</b>	<b>\$64,237,052.00</b>

d. Water and sewer lines are depreciated based on 50 years of life. Water and sewer plants are depreciated based on 50 years of life, with their motors and parts depreciated on a scale of 5 to 10 years of life. The electric distribution system has approximately a 30 year life, based on its depreciation scale.

e. My estimate of where our systems currently rank on these scales based on new additions, improvements and upgrades is:

- 1) Water - 20 years used of an average life of 42 years for lines, plants, motors, etc.
- 2) Sewer - 10 years used of an average life of 42 years for lines, plants, motors, etc.
- 3) Electric - 13 years used of an average life of 30 years for the system.

f. Our 1998 annual depreciation costs were as follows:

Water.....	\$875,661.00
Sewer.....	1,057,073.00
Electric.....	<u>317,230.00</u>

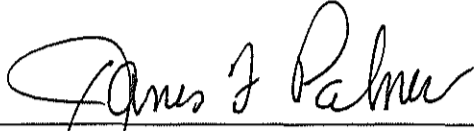
**Total .....\$2,249,964.00**

- g. In order to build the renewal and replacement fund needed to maintain a system at a 50% or better life value, we need to develop a policy for transfers from operating revenues to the renewal and replacement fund.
- h. My suggestion for the next 5 years would be an absolute cash transfer of \$1,000,000.00 each year, with interest accruing to the fund. This would be in addition to new system capital expansions of \$1,000,000.00 to \$1,500,000.00 annually, which would help to maintain a level life status.

5:30 P.M. The Mayor and Council held a group discussion until 6:30 P.M. regarding City operations, without staff members present.

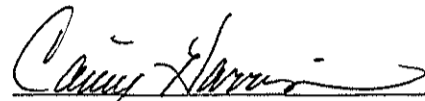
Approved:

Submitted:



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James F. Palmer, Mayor



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Cathy Harrison, City Administrator