

Palmetto City Council
Enterprise Funds Budget Workshop
October 21, 2002 4:00 PM

Elected Officials Present:

Larry Bustle, Mayor
Mary Lancaster, Vice Mayor
Shirley Bryant, Council Member
Tamara Cornwell, Council Member
Charlie Grace, Council Member
Brian Williams, Council Member

Staff and others present:

Karen A. Conlon, City Clerk
Garry Lowe, Chief of Police
Mike Hickey, Public Works Director
Diane Ponder, Administrative Assistant
Bill Hawthorne, CPA Associates
Lisa Absher, Consultant

Mayor Bustle called the meeting to order at 4:00 p.m.

Vice Mayor Lancaster gave the invocation followed by the Pledge of Allegiance to the Flag of the United States.

Mayor Bustle presented the proposed budget for each Enterprise Fund, stating the budgets contained only operating expenses - all capital improvements have been removed and personnel expenses have been properly allocated to the appropriate fund.

Mayor Bustle introduced Lisa Absher, financial consultant. Ms. Absher explained she was helping the city to utilize the new computer system while developing the 2003 budget. She explained she normally helped municipalities develop long-term project plans.

Ms. Absher discussed the fact Enterprise Funds are based on user fees and should be self sustaining. The funds operate under a different accounting rule and are restricted differently than the General Fund. In past years grant funds were co-mingled with operating expenses. The proposed budget allows a true review of the health of each fund.

The Solid Waste Fund currently shows a deficit of \$111,000. Ms. Absher stated she felt the deficit is manageable through attrition.

The Water/Sewer Fund shows approximately a \$1,000,000 profit, which aids the pooled cash in the other funds. Conversion figures to ADG weren't totally accurate so journal entries have been made to correct the information. Ms. Absher stated she felt the total revenue would be adjusted down to approximately \$4.1 million.

Ms. Absher stated the Stormwater Fund, in her opinion, needs a managerial, legislative review.

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The Reuse Fund shows a current operating deficit of \$118,000 against \$64,000 revenue. Ms. Absher suggesting placing this fund into the Water/Sewer Fund if the Council considers the fund solely as a way to handle affluent water. The Reuse Fund would become a separate department if transferred into the Water/Sewer Fund. Discussion ensued on the reuse line installation and US Filter contract expenses and how the monthly fee was established for reuse.

Discussing development of the Capital Improvement Plan, Ms. Absher stated sound accounting information is very important in the beginning of the process. She suggested a comprehensive team consisting of Public Works, Planning, Finance and the city engineer should be involved in the development of a five-year plan.

Ms. Conlon discussed the capital projects and their matching funds that have been removed from the Enterprise Funds. After a chance to review the information Council will determine what projects should be put back into the funds. It was suggested Council should also implement management changes to ensure the projects are financially feasible.

Mayor Bustle discussed a proposed recovery plan for the different funds, a copy of which is attached hereto and made a part of these minutes. The implementation of a Renewal, Replacement and Improvement (RR&I) Policy was briefly discussed. Mr. Williams asked that Council have time to also review this information and bring back suggestions for consideration.

Discussion ensued on the number of residents on reuse. Discussion also ensued on the \$3 sewer charge and the belief a portion of the charge was meant to go to reuse installation. Ms. Conlon advised the ordinance does not reference how the \$3 is to be spent. Mrs. Conlon also stated there are no personnel costs associated with the Reuse Fund.


Public Works was asked to give a status report on backflow preventer installation, reuse installation and paving in preparation for the development of the capital improvement plan. Mr. Hickey estimated it could take up to four weeks to gather the information for the presentation.

Mayor Bustle proposed starting the five-year capital improvement plan with stormwater and reuse. Discussion ensued on the wastewater plant. Mr. Hickey stated the status of the wastewater treatment plant would be included in the capital improvement plan.

Mayor Bustle referred to the possible shortage in shared state revenue funds of approximately \$262,000. Council was supplied with the expenditures each department proposes deleting from the budget if the shortfall does occur.

Meeting adjourned at 6:30 pm.

Minutes approved: November 4, 2002


Karen A. Conlon
City Clerk

City of Palmetto
Enterprise Funds Budgets
Plan of Attack
October 7, 2002

- October 21, 2002 present proposed Operations Budget for each plan
 - **ONLY Operating Budget** – no capital improvements
 - Bill Hawthorne & Lisa Absher to attend
- Maintain status quo on each fund
 - Maintain service to customers
 - Evaluate needs vs. wants
 - Prioritize problems
 - Consider outsourcing
 - Evaluate rates
- Create Five-Year Capital Projects Plans for each fund

City of Palmetto
Enterprise Funds
Proposed Recovery Plan
October 21, 2002

- **SOLID WASTE**
 - Delete two positions, or
 - Decrease staff by two positions through attrition, or
 - Investigate/Enter Negotiations for Outsourcing

- **REUSE WATER**
 - Transfer to Water & Sewer Department for accounting and management
 - See Water & Sewer below for further recommendations

City of Palmetto
Enterprise Funds
Proposed Recovery Plan
October 21, 2002

- **WATER & SEWER**
 - Initiate **Renewal, Replacement & Improvement (RR&I)** Program immediately (5% - 7% dedicated annually)
 - Calculate debt capacity of Water & Sewer Department
 - = approximately \$7.3 million over 20 years
 - Explore water/sewer grants to be leveraged by debt capacity
 - Use impact fees balances and leverage with debt capacity
 - Verify rates/conduct new rate studies with rate-setting model
 - Use CRA funds where possible
 - Prioritize so as to put effort on biggest problem(s)
 - Develop integrated program to:
 - Complete reuse installation, install ASR and network with County and City of Bradenton
 - Upgrade WWTP, complete with better odor control
 - Upgrade water/sewer distribution where needed, along with repaving streets (leverage water/sewer grants where possible)
- **STORM WATER**
 - Define clearly service City provides in this department
 - Reevaluate rates and basis for rates
 - Rate Study model
 - Aerial photography data base for pervious vs. impervious
- Form Team and develop Five Year Capital Project Plans for each utility, consistent with priorities.

City of Palmetto, Florida
Analysis of RR&I Policy for Water/Sewer Fund

A typical RR&I (Renewal Replacement and Improvement) Policy...

- would have regular operating maintenance and improvements budgeted as one line-item (usually called RR&I)
- would eliminate the use of multiple accounts such as "Supplies", "Equipment Repair & Maintenance," and etc. that separate out RR&I costs and cause projects to be difficult to track
- RR&I projects would be billed on a "job cost" basis to one RR&I expense budget line-item
- RR&I budget amounts are usually based on a percent of revenues

Standards:

- 5% - for a water system in good condition
 - 7% - for a sewer system in good condition
 - Unlike the operating budget, RR&I continuously "rolls-over" from one year to the next if unused in the prior year
 - Balance of the RR&I funds is treated as designated (not restricted) fund balance/reserves
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Water/Sewer Fund:

Based on the standard percentages above, the total RR&I fund for FY2003 would be:

- \$106,740 for Water
- \$129,096 for Sewer

An RR&I fund for Water would eliminate the separate budgeting of:

- #432-533-4636 Repair & Maint. Utilities misc. "repair to utility system" of \$63,000.00
- some part of #432-533-5223 Operating Supplies, total \$10,000.00
- proposed budget line #432-533-6301 Improvements "replace existing water lines" of \$74,000.00

An RR&I fund for Sewer would eliminate the separate budgeting of :

- #432-535-4636 Repair & Maint. Utilities misc. "sewer lines repairs" of \$10,000.00
- some part of #432-535-3120 Engineering Services, total \$15,000.00
- proposed budget line #432-535-6301 Improvements "replace existing lines" of \$150,000.00
- proposed budget line #432-535-6302 Improvements, most listed detail under this account, totaling \$292,765.00

It appears the standard percentage of 5% for Water may be sufficient, but Sewer is currently operating at a 25% RR&I, which appears to be inappropriate, considering that no Capital Improvements are included in this total.