

**City of Odessa Board of Aldermen**  
**Odessa Community Building | 601 W. Main Street**  
**February 11, 2019 | 5:30 pm**  
**Budget Work Session Minutes**

**CALL TO ORDER**

Mayor Adam Couch called the work session to order at 5:30 p.m.

**ROLL CALL**

City Clerk Peggy Eoff called the roll.

Mayor Adam Couch	Present		
Alderwoman Mickey Starr	Present	Alderman John Carmody	Absent
Alderman Mike Stevens	Present	Alderman Steve Wright	Present
Alderman Ray Harves	Present	Alderman Brian Henning	Absent

City Staff present: Nici Wilson-City Administrator, Peggy Eoff-City Clerk, Dawn Jennings-Finance Director, Josh Thompson-Police Chief, Darrin Lamb-Water/Street Superintendent, Carson Hodge-Electric Superintendent and Hap Phillips.

Others present: Hannah Spaar-The Odessan, Steve Cobb-Park Board President, Verbal Blakey-BHMG

**BUDGET WORK SESSION – FYE 03/31/2020**

The budget work session addressed the proposed budget for the Capital Improvement Plan

**General Fund**

Wilson thanked the department heads, Dawn Jennings, and Jenny Norris for the time they dedicated to develop this plan. While working through the plan it has required staff to look at the current needs of the City, and to look forward in order to assess and properly plan for future needs.

Wilson highlighted the following projects for the proposed FYE 2020 budget:  
(See also the chart below.)

- Storm Siren replacements
- Website Update
- Strategic Plan Goal (Improve Navigation and Appearance of Major Corridors)  
Way Finder Signs
- Strategic Plan Goal (Identify and Fill Gaps in Connecting Public with Projects)  
Graphic Design Publication Software
- Strategic Plan Goal (Create and Maintain Attractive Streetscape)  
Blight Study
- Strategic Plan Goal (Preserve History of Downtown)-Codes updates



Following the 2020 capital projects, Wilson and Jennings went through the five (5) year Capital Improvement Plan (CIP). Staff proposes that the capital asset replacement needs of the General Fund be financed through a municipal lease purchase. In a memo to the Board, the City's Financial Advisor, Joey McLiney shared information on the benefits they have seen other Missouri clients have using a *master-lease program (MLP)*. This or similar leasing tools can be beneficial for ongoing borrowing needs. A master lease program looks very similar to the issuance of bonds or COP's, but avoids costs of issuing those types of funding and provides lower interest rates than a typical lease through a dealership for a specific asset. Jennings told the Board consideration was given to fleet leases, but after communicating with the Financial Advisor and other entities leasing fleet vehicles the proposed master lease/sub-lease funding mechanism described in the memo was found to be the most cost effective and streamlined method of capital asset purchasing for the departmental needs of the General Fund considering the annual amounts needed and the ability to budget accordingly with a fixed payment amount. Jennings further noted some of the benefits of the proposed financing for the Capital Asset Replacement Program:

- Similar to a line of credit in that you have the ability to buy from any vendor – police vehicles, ambulances, trucks and large equipment are not sold by the same vendors.
- Additional options for purchases (new, used, etc.) – vendor leasing is generally not available for used assets.
- Fixed payment schedules for budgeting purposes – we are proposing that the Board of Alderman commit \$75,000 from the Capital Improvement Fund for continual replacement of capital assets as needed.
- Locked in rate of interest for all items purchased at a given time. This is not to say that there will not be increases in interest rates for subsequent purchases, but those rates will be disclosed to the Board for consideration before the subsequent purchases are made.
- By preparing, proactively yet conservatively, for the replacement of assets you are able to obtain a better deal on the purchases you are proposing and the decision making process is not rushed because of the current condition of the assets.
- Each vehicle and piece of equipment exceeds the purchasing authority of City Staff and the purchases would each still be subject to review and approval by the Board as well as subject to the bid solicitation requirements set forth in the purchasing policy adopted by the board.
- There are no penalties for excessive mileage or excessive wear and tear on purchased assets.

Additional discussion as follows:

- Alderwoman Starr inquired if the city has looked into purchasing any vehicles through the government auction. Chief Thompson explained that when they look into purchasing used vehicles, he recommends purchasing through the Highway Patrol as they come with lower mileage and most equipment already installed.
- Mayor Couch asked for confirmation that the funding for these capital assets will be from the General Fund, the capital improvements for the enterprise funds will come out of the depreciation of each enterprise fund, and that the capital assets replacement program is funded through the capital improvement sales tax fund. Adding that the \$75,000 for ten (10) years is how staff is proposing we fund our fleet replacement.

- Mayor Couch commented that previously the City didn't have a mechanism to continually fund the fleet purchases and by using this mechanism it would be the solution to our management of the assets with a fiscally responsible plan over the next ten (10) years with a lower interest rate than we would get anywhere else. Wilson and Jennings confirmed that information adding it gives us the flexibility to make the most sensible purchases (new or used) depending on the situation.

Wilson explained that for administrative purposes and to hopefully provide a more adequate description, staff has changed the name of the *Capital Improvement Sales Tax Fund* to the *Capital Improvement Fund*. The revenues in this fund were not all generated from the capital improvement sales tax, therefore not presenting an accurate picture of where all of the revenues in the fund were coming from. The Capital Improvement Fund is also a holding fund for the proceeds for the enterprise funds capital improvements. As an example the bond proceeds on the AMI project. Once it is known the exact amounts each enterprise fund needs allocated it will be transferred, but in the meantime, the money needs to be accounted for within the budget.

Electric Fund

Wilson told the Mayor and Board, following their approval of an electric rate study, the City began working with Verbal Blakey of BHMG. It had been previously noted to staff in 2017 that for several years, transfers from reserves had been necessary to make the budget whole. With that information it was evident a review of the entire rate system and capital needs would have to be closely looked at to get the fund back to being self-sustaining.

Electric Superintendent, Carson Hodge highlighted his CIP plan:

**Electric Department 5-Year Capital Improvement Costs**

	Land & Buildings	Infrastructure	Fleet	Equipment	Annual Total
2020	\$ 20,000.00	\$ 191,583.00	\$ 100,000.00		\$ 311,583.00
2021	\$ 50,000.00	\$ 74,583.00	\$ 8,000.00	\$ 100,000.00	\$ 232,583.00
2022	\$ 8,000.00	\$ 94,583.00	\$ 150,000.00	\$ 175,000.00	\$ 427,583.00
2023	\$ 30,000.00	\$ 119,583.00	\$ 180,000.00	\$ 65,000.00	\$ 394,583.00
2024		\$ 314,583.00			\$ 314,583.00

	2020
Roof repairs to electric plant	\$ 20,000.00
Centennial Hills - Phases IV & V	\$ 35,000.00
DPU Relay Replacement	\$ 82,000.00
Nuts & Bolts - underground conversion	\$ 10,000.00
1997 Bucket truck replacement	\$ 75,000.00

	\$
AMI System	64,583.00
	\$
2002 Chevrolet replacement	25,000.00
	\$
	<u>311,583.00</u>

	2021	
		\$
Concrete floor in garage		50,000.00
		\$
Industrial Circuit Conversion to 12KV		10,000.00
		\$
AMI System		64,583.00
		\$
1971 Utility trailer replacement		8,000.00
		\$
2004 Ditchwitch trencher replacement		100,000.00
		\$
		<u>232,583.00</u>

	2022	
		\$
Plant - electrical improvements/replace transformers		8,000.00
		\$
Conv. Overhead Primary Lines - Phase I		30,000.00
		\$
1999 Chevrolet w/hydraulic derrick replacement		150,000.00
		\$
AMI System		64,583.00
		\$
SCADA System replacement		175,000.00
		\$
		<u>\$427,583.00</u>

	2023	
		\$
Substation - breaker replacement		30,000.00
		\$
Live Front Transformer Change Out		25,000.00
		\$
AMI System		64,583.00
		\$
Conv. Overhead Primary Lines - Phase II		30,000.00
		\$
2009 International bucket truck replacement		180,000.00
		\$
Bobcat skid steer loader replacement		65,000.00
		\$
		<u>394,583.00</u>

	2024	
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9th Street Circuit Installation	\$ 250,000.00
AMI System	\$ 64,583.00
	\$ 314,583.00

Wilson noted that from the operational side, the budget for the Electric Department includes a three (3) percent salary increase for employees, a new computer, and the lineman training for our two (2) apprentices.

Verbal Blakey with BHMGM made a presentation on her findings when reviewing the rates, financial statements and audit of the electric fund. Blakey explained how depreciation works and how it correlates to infrastructure improvements. She noted that any additional depreciation expense not used for system improvements goes back into the reserves. She further noted that the rates need to cover the operating expenses and ideally there should be fifty (50) percent of your annual expenses in the reserves. Blakey commended the City for their fund balance meeting this recommendation. She stated to maintain that healthy reserve balance it needs to be addressed that the expenses are higher than the revenues. There are three (3) ways to do this; increase revenues through the rates, lower expenses or a combination of both. It was noted that the electric rates have been the same since 2008. During this eleven year (11) year period, operating expenses have continued to increase and the city decommissioned the electric generation plant, therefore losing revenues through the capacity credits earned through the power purchasing pool. Blakey added that for this current budget, without an increase in the rate, the expenses exceed the revenues by \$350,000. Blakey recommends the following:

- Raise the customer charge eight (\$8) per customer, which would recover \$230,000
- Implement the wholesale energy cost adjustment (ECA) that was previously authorized by ordinance, just never done
- Approve an annual rate increase of three (3) percent to the usage rate to assure the revenues cover the annual cost of inflation

Blakey further noted that the City has absorbed through the reserves any of the expenses over the revenues since 2008. Wilson added that the revenues in the proposed budget are reflective using the rate recommendations from BHMGM.

### Water Fund

Wilson highlighted items in the budget that include the three (3) percent salary increase, the application for a SCEAP grant for a water system study and needed maintenance items for the water wells.

Water Superintendent Darrin Lamb went over the department's CIP:

**Water Department 5-Year Capital Improvement Costs**

	Land & Buildings	Infrastructure	Fleet	Equipment	Annual Total
2020		\$ 106,875.00		\$ 197,000.00	\$ 303,875.00
2021		\$ 96,875.00	\$ 150,000.00		\$ 246,875.00
2022		\$ 96,875.00	\$ 25,000.00		\$ 121,875.00

2023		\$		\$
		96,875.00		96,875.00
2024		\$	\$	\$
		96,875.00	150,000.00	246,875.00

2020		
AMI System		\$ 96,875.00
Wells - VFD replacement		\$ 65,000.00
Fire hydrant repair/replacement		\$ 12,000.00
1991 dump truck		\$ 120,000.00
Water System Study (Cost \$50k, anticipate 80/20 SCEAP Grant)		\$ 10,000.00
		<u>\$ 303,875.00</u>

2021		
AMI System		\$ 96,875.00
2002 Ford F350 w/utility bed replacement		\$ 150,000.00
		<u>\$ 246,875.00</u>

2022		
AMI System		\$ 96,875.00
2006 Chevrolet Silverado replacement		\$ 25,000.00
		<u>\$ 121,875.00</u>

2023		
AMI System		\$ 96,875.00
		<u>\$ 96,875.00</u>

2024		
AMI System		\$ 96,875.00
2 Line Stop Machines - proposed purchase		\$ 150,000.00
		<u>\$ 246,875.00</u>

Discussion was held regarding the need for a dump truck and the possible shared use of the street department dump truck.

During the review of the budget, Wilson explained the increase to the water rates, to again keep up with inflation and the rising operational costs. Staff is presenting the Board the options of either a rate increase of four (4) center per one hundred gallons of water or an increase to the monthly base rate of \$1.41. It was noted the last time water rates were adjusted was 2011.

Park Fund

Steve Cobb, Park Board President outlined the proposed budget for FYE 2020:

- Software expenses
- Pool Management Increase
- Minimum Wage Increase

Discussion included the remaining years on the pool loan. Cobb stated that the debt is half way paid off with ten (10) years left.

In conclusion, City Administrator Wilson ask the Board for comments, input and questions to the proposed budget. Staff's tentative timeline for budget consideration would include the presentation of the ordinances for the utility rates and the first reading of the ordinance adopting the proposed budget at the February 25, 2019 meeting. The final reading of the budget would be at the March 11, 2019 meeting. If there are any comments or proposed changes that would need to come before the Board, this timeline could be postponed by one meeting. Any additional meetings for further discussion would require scheduling special meetings/work sessions to be compliant with the requirement of the adoption of an approved budget by March 31, 2019.

**ADJOURN**

There being no further business to come before the Board of Alderman for the budget work session, Mayor Couch adjourn the meeting at 7:21 pm

Approved:

February 25, 2019

Adam R. Couch  
Adam R. Couch, Mayor

Peggy Cobb  
Peggy Cobb, City Clerk