

Brookville City Council
Special Meeting - Budget Work Session
December 18, 2018

The Special Meeting for a Budget Work Session of the Brookville City Council was called to order by Mayor Seagraves at 6:15 p.m. on December 18, 2018 in the Brookville Council Chambers. The Pledge of Allegiance was recited. Members Kirklin, Letner, Schreier, Wilder and Zimmerlin; City Manager Burkholder, Law Director Stephan, Finance Director Keaton, and Clerk Wheeler were present. Police Chief Jerome and Fire Chief Fletcher were absent.

Roll Call by Clerk Wheeler.

Motion by Zimmerlin, second by Schreier to approve the Agenda as presented. All yeas, motion carried.

Motion by Kirklin, second by Schreier to enter into Executive Session per ORC 121.22 (G)(1) to interview applicants for the open City Council position. All yeas, motion carried.

Motion by Kirklin, second by Schreier to enter back into Regular Session. All yeas, motion carried.

Budget Work Session began at 6:30 p.m.

Manager Burkholder thanked everyone for attending tonight's Budget Work Session. He informed water and sewer rate increases will be discussed during the Budget Work Session in a finance presentation by Paul Rennick of BHM CPA group, who is our outside accountant that attended and presented at the recent Council Retreat. He informed rate increases will also be discussed during the Regular Meeting tonight as the first reading of the proposed rate increase Ordinances are listed for a first reading only on the Agenda. He informed Staff is still awaiting the final numbers for water rate increases from the City of Dayton for 2019. He introduced Paul Rennick of BHM CPA group.

Paul Rennick, of BHM CPA Group, presented a Power Point Presentation on current debt, existing cash flows and projections for the Water and Sewer Funds. He stated all of his projections are based on numbers provided to him by Finance Director Keaton, he is not just making up numbers.

Mr. Rennick advised proposed rate increases may need to be re-evaluated in a few years to see if they are enough. He stated the projections show these amounts of an increase will keep the pace with inflation and cover debt, but may not cover a lot in capital improvements. He recommended smaller rate increases on a yearly basis instead of large increases all at once.

Manager Burkholder explained in 2015, \$1.9 million WWTP upgrades were done through a 0% interest loan for 20 years and that is included in the current Sewer debt. He informed \$300,000 to \$400,000 has also been factored into the Sewer fund for the much needed sledge press. He stated sludge cannot be pressed in cold weather because the lines will freeze, which is why we need a building to do so and a building will require additional piping and engineering costs to build. He informed there are new EPA requirements coming on phosphate, we are still unsure how they will affect us, but we need to stay ahead of EPA regulations. He stated there are always unexpected expenses that can occur at a WWTP in addition to the planned capital improvements that we have to have sufficient funding for within the Sewer Fund and the same goes for the Water Fund. He stated in the Water Fund, the Water Tower is included in the debt because we had no choice but to build if we wanted to retain jobs and have future economic development in the Industrial Park. He stated rates need to be sufficient to service the debt and cover the rising operational costs such as electricity, labor etc. He stated the proposed rate increases do not include much for capital improvements. He stated the increases merely cover

debt, some very limited capital improvements, and operational costs, which means capital improvements such as addressing the aging lines throughout the City are not included.

Member Zimmerlin asked the amount of the proposed increases?

Finance Director Keaton informed the increase on Water would be 14.8%; 7.6% on Sewer and 1.7% on Refuse. She informed she recommended looking at another slight increase in a few years. She suggested doing a small increase every year because it is much easier for people than a large increase every few years.

Member Letner informed with the way the proposed Ordinance are written, it would cost the average homeowner approximately \$10 a month for all three, Water Sewer and Refuse.

Discussion of rate increase amounts and future frequency of rate increases.

Mayor Seagraves reminded the Water and Sewer Funds have to be able to sustain themselves. He stated in years past for several years, Council elected to put a freeze on rate increases even though the City of Dayton was still increasing our rates, Council chose not to pass those rate increases onto the citizens. He stated we get our water from Dayton and when they have increases, they pass them along to us and we have no idea what they will do in the future and need to be prepared for setbacks or future rate increases.

Member Letner stated we can feel safe knowing we are receiving good, clean quality water from the City of Dayton.

Member Zimmerlin asked what are the rate increases from Dayton for this year?

Finance Director Keaton informed she is still waiting the final numbers from the City of Dayton.

Finance Director Keaton informed she has prepared spreadsheets for Council on the rate increases.

Manager Burkholder informed the idea of obtaining grants is always nice, but most grants require match money. He stated having little carry over amounts each year will limit capital improvements that can be made. He stated the City is in a transition of policy by doing a little improving each year instead of waiting until something big needs fixed or replaced. He stated it is hard to save money when all funds are used for operational costs.

Member Schreier asked with these proposed rate increases, where will we rank among other communities?

Finance Director Keaton informed based on the survey done earlier this year and not knowing what other communities will do this upcoming year, for a combined water and sewer rate, we were ranked 24 out of 63 jurisdictions and after these increases we would move to 35 and that would be if no other jurisdiction had a rate increase.

Further discussion on rate increases, other future revenue sources and declining yearly carry over amount.

Mayor Seagraves stated Council needs the Citizens to understand the reality of what is going on. He stated citizen engagement is critical right now and the more people educated the better. He wants the citizens to ask questions, the City has nothing to hide, the numbers are what they are.

Manager Burkholder stated these problems would be far worse, had Council not increased the rates in December 2015. He stated it is a much better policy to invest each year than to do it all at once when something breaks. He stated with the proposed budget for 2019, if approved as is, unless a revenue Resolution is put forth by Council after the first of the year, there would be no extra money from the General Fund that could be transferred to the Water or Sewer Funds. He stated the carryover reserve will continue to drop unless there is additional revenue.

Member Schreier stated he thought a three year plan of rate increases might be better at first, but after discussion, it seems you almost have to do it annually.

Finance Director Keaton stated it is written in the City's Charter that Council should review the Water and Sewer Rates yearly.

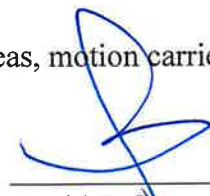
Finance Director Keaton reviewed the spreadsheets she prepared for Council titled, Water Fund; Sewer Fund; and Refuse Fund, which displayed a history of each Funds from 2008 to 2018.

Mayor Seagraves thanked Paul Rennick and Finance Director Keaton for their presentation tonight.

Manager Burkholder thanked everyone for participating in tonight's Meeting. He stated if anyone has any questions during the upcoming Regular Meeting on the proposed rate increases or proposed 2019 Budget to please speak up or ask any questions.

Motion by Kirklin, second by Zimmerlin to adjourn. All yeas, motion carried.



Meghan Wheeler, Clerk

David E. Seagraves, Mayor