

SALISBURY CITY COUNCIL
BUDGET WORK SESSION
APRIL 20, 2015

Public Officials Present

Council President Jacob R. Day
Councilwoman Eugenie P. Shields
Councilman Timothy K. Spies
Council Vice President Laura Mitchell
Councilman John "Jack" R. Heath

Public Officials Not Present

Mayor James Ireton, Jr.

In Attendance

City Clerk Kim Nichols, City Administrator Tom Stevenson, Assistant City Administrator Julia Glanz, and Internal Services Director Keith Cordrey

The City Council convened in a Budget Work Session at 9:45 a.m. in Conference Room 306 of the Government Office Building.

Budget Discussion

Council President Jacob R. Day asked Council to identify their top budgeting priorities for FY2016 and Council discussed the following priorities and key issues:

- **Councilman Heath** – no tax increases; no decrease in the surplus; concern with area business growth, public safety, and improved quality of life for the citizens
- **Councilman Spies** – agreed with Mr. Heath's items; would like to see the recycling program moving forward and making the City look good to keep people here
- **Councilwoman Shields** – interested in seeing increase recycling and recycling education; no tax increases; public safety and prevention; interested in youth activities through Community Promotions to build relationships with Police and citizens; happy about the Urban Service rate cut; concerned with Neighborhood Services because they need another person (which was added)
- **Council Vice President Mitchell** – agreed with Mr. Heath's items; not sure about added positions and changing positions; interested in increasing the Recycling Program and want to look at the end result - not just the up-front costs
- **Council President Day** – number one priority - no increase in the tax rate; interested in protection of the Urban Services rate; concerned with the cuts in the Water & Sewer rates (third consecutive year) and may need to increase rates in a few years; concerned that the debt the City is taking on will put the City in a position where we are not going to be able to invest in Capital Projects in the future (interested in shifting projects out of FY16 if needed, and taking a broader view of where the City is headed in Capital Investment as it

relates to debt, interested in the County's downtown co-working space and what they will do in the future; hope to invest more in Economic Development with the County; approves of the money that was put back into House Keys for Employees last year and hopes to increase the fund to encourage people to move into the City; interested in continuing planning projects to make the City more attractive; not opposed to the CDC Officer position because Community Development Corporation is a great idea, but not sure if this is the time to invest in that; would like to hear from Administration about the Fire Service and Comcast

City's Financial Condition

Internal Services Director Keith Cordrey provided the following "Financial Overview" regarding the City's financial condition:

- Balance Sheet for Governmental funds
 - Unrestricted cash - \$10.4 million
 - Unassigned fund balance – evolved from \$4.8 million in 2007 to \$9.7 million in 2012, and has fallen back to the current \$8.7 million
 - The Statement of Revenues Expenditures and Changes for FY14 shows \$91,000.00 in surplus was used in FY14. Actual revenues were \$32.3 million, final budget was \$33.8 million less the \$2 million that was budgeted to use for surplus (\$31.8 million). The variance was about \$500,000.00.
 - FY14 Expenditures – Mr. Cordrey noted there was \$202,000.00 in General Government; \$843,000.00 in Police, \$390,000.00 in Fire, with a Public Safety total of \$1.3 million; \$1.3million in Public Works; and the total of all the expenditures was \$3.3 million. The total expenditures came in under budget by \$3.2 million.
 - Analysis of FY15 Budget Use of Surplus (Health Care Claim- \$470,000.00 and Police Personnel- expected variance due to vacancies)
 - WWTP - \$30 million impairment loss to be recognized on financial statements due to GASB 42 and \$1.8 million estimated increase in depreciation
 - Water Sewer Fund – \$8.1 million Unrestricted Cash at end of year and \$7.7 million in the Unrestricted Net Position
 - Statement of Revenues Expenses and Changes in Net Position - \$4.1 million
 - Statement of Cash Flows – Water Sewer Fund generated \$4.9 million in Operating and \$7 million in Net Cash provided by Operating Activities. Since \$9.9 million was used in Capital and Related Financing Activities, it caused a net decline of cash of \$3 million
 - At the end of year there was \$8.1 million in Unrestricted Cash, with all but \$500,000.00 being in Capital Accounts designated for Capital. \$500,000.00 in Operating.
 - The FY16 Budget proposes to use \$1.9 million of the Revolving, \$1 million of the Impact Water for a total of about \$3.1 million (includes \$200,000.00 in "pay-go")
 - At the end of 2014 there was a deficit of \$2.5 million in Unrestricted from \$1.3 million in 2013 (First time in a very long time we had gone "negative").

- The OPEB Liability increased approximately \$3 million to \$17.6 million and projected to move another \$3 million in 2015.
 - In the CIP, the available use of Debt Service was \$300,000.00. Mr. Cordrey realized Capital Projects should be added because the City's Financial Policy requires Debt Service to be restricted to 10% of the General Fund. Last year Capital Projects were separated for the ease in budgeting but should be added back, so that's another \$4.6 million. Using the revised calculation, the Debt Issuance Capacity expands to approximately \$10.5 million for the four-year period 2019 – 2023. Mr. Cordrey noted that the Debt Capacity does not fall off from 2019 until 2024.
 - The chart presented at the CIP Presentation was revised because of the actual budgeted change from \$35 million to \$35.6 million, and to add the General Capital Projects, for a total of \$41.2 million.
- **General Fund Revenues**

Mr. Cordrey reviewed the following General Fund Revenues with Council:

- Ordinary Business Corporation Taxes had the largest increase (\$331,00.00 increase)
- Railroad and Utility Taxes - estimated \$138,000.00 increase
- Local Income Taxes - estimated \$20,000.00 increase
- Small decline in Admission and Amusement Taxes
- Highway User Tax - \$108,000.00 increase
- Comcast – have not been able to receive a new assessment
- Administrative Fees – the amount that gets distributed to the other funds (Parking, Water Sewer, Stormwater) is estimated to be up to \$260,000.00

Mr. Cordrey reported the Workers Compensation credit will be received in early May. Last year's amount was \$425,000.00 but the adjustment is unknown until we receive it.

Council questions and discussion included:

- What impact does unfunded liability have on our assessment by financing organizations potentially as it relates to bonded debt? Mr. Cordrey opined all state, local and federal governments are "hit" big this year.
- What are Admission and Amusement Taxes? Licenses businesses must pay the City for.
- EMS County Revenues had \$475,000.00 budgeted, but the actual last year was \$465,000.00, and we only have \$38,841.00 in. Is this the line for the "set amounts" that are passed through, and why have we only received \$38,841.00? (Mrs. Mitchell verified these funds were not for Fire Service) Mr. Cordrey answered it is an annual amount that the County has agreed to supply as part of their contribution to EMS services. He could ask Mr. Ellis in Wicomico County Finance when the funds will be wired to the City.
- On the ambulance revenue, did they increase the collection percentage? Mr. Cordrey had no recent data, but Life Quest has done an excellent job handling billing and collections.

City Council

City Clerk Kim Nichols presented the goals and requested budget for the City Council's budget. Mr. Day suggested that Council cut \$250.00 from the Community Promotions account for the Coffee With Your Council since they receive donations of food and coffee for most every event. Council has not held a Goal Setting Session for more than two years and the goals were updated this year by Mr. Day and Mrs. Nichols.

City Clerk

Mrs. Nichols presented the goals and requested budget for the City Clerk's Office. Mr. Spies asked whether the pay grade for the Assistant City Clerk position was accurate with the duties of the Assistant Clerk, and Mr. Stevenson suggested completing a *Position Description Questionnaire* so that Human Resources could perform an evaluation of the Clerk's Office.

Elections

Mrs. Nichols presented the requested budget for the Elections budget. Mrs. Mitchell asked for clarification of the term "personal time" for County employees, and Mrs. Nichols would find out.

Mrs. Mitchell asked about having a tie in one or all of the Districts, and after discussion, Council agreed to pass a budget amendment for first reading in October in case there was a run off. Mrs. Nichols would ask Elections Director Anthony Gutierrez for the amount needed later in the year.

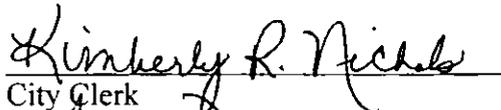
Mr. Spies asked to include \$95 for travel during the day of Elections to reimburse the City Clerk for monitoring the polling places.

City Attorney

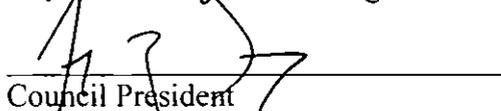
Mrs. Nichols presented the budget request for the City Attorney budget. Council discussed the overstated City Attorney budget due to Mr. Wilber's invoicing being paid from the City Attorney account. Council felt it would be best to create an account "Other Attorney" in the General Fund in case another attorney was used on another issue.

Mr. Day thanked Mr. Cordrey and Administration for the presentation and noted the analysis has clearly revealed the City's financial standing each year since he began working with the budget. The next budget session will be held at 9:30 a.m. on April 21, 2015.

With no further discussion, President Day adjourned the Budget Work Session at 11:20 a.m.



City Clerk



Council President