

CITY OF EUHARLEE
CITY COUNCIL WORK SESSION MINUTES
JULY 17, 2018

Mayor Steve Worthington called the meeting to order and opened with a prayer followed by the Pledge of Allegiance.

City Clerk Carolyn Banks called the roll and the following were present: Mayor Steve Worthington, Council Members Craig Guyton, Tracy Queen, David Duncan, Joe Turner and City Manager James Stephens. City Attorney Boyd Pettit was not present.

2017 Audit Presentation – Christian Hatch, Williamson & Co. CPAs

On behalf of Williamson, CPA's, Christian Hatch, CPA said thank you to Mayor, City Council and management for the opportunity to conduct the audit of the city's financial statements for fiscal year ending December 31, 2017. He provided council with a bound copy of the audit report, with a one page summary page along with the management letter. He stated the audit was conducted in accordance with the auditing standards generally accepted in the United States and the standards that apply to financial audits of governmental entities. The purpose of the audit was for them to issue their opinion of the city's basic financial statements and also report on the city's internal controls over financial reporting and compliance. The independent auditors report on page 1 is where their opinion on the financial statements is located. For the 2017 audit the city received an unmodified audit opinion on its financial statements. It means the basic financial statements were fairly presented in all material respects in conformity with the general accepted accounting principles as they apply to local government. In other words a clean opinion. They also issued their opinion on the city's internal controls over financial reporting and compliance. The report outlines their responsibilities and considerations of the city and their internal controls over financial reporting, as well as, its compliance with certain provision and laws, regulations, contracts and grant agreements. The 2017 audit period we identified no material weaknesses in the city's internal controls over financial reporting and nor did they find any material compliance violations. He reviewed some of the financial points of interest.

Page 4 – Statement of Net Position – Year end the city assets exceeded total liabilities by \$9.3 million. It was an increase from net position from 2016 in the amount \$89,972.

Page 5- Statement of Activities – Total tax revenue for 2017 including SPLOST collections was \$2.03 million dollars which was an increase of 7.53% in tax revenue from prior year. The increase is attributable to more sales tax collections compared to 2016 along with increased motor vehicle tax revenue.

Page 7- Balance Sheet of Governmental Funds – The total cash balance at year end including cd's decreased by \$198,324 and total \$1.73 million as of year-end. Of that amount roughly \$1.2 million was externally restricted for capital projects, debt service and law enforcement activities. The decrease in cash was concentrated in the general fund for operations. The 2014 SPLOST fund which is where the principal and interest payments of the URA bonds were made. The year-end there was \$704,127 of unspent bonds funds left over from the 2013 bond issued. These funds are to be used on approved projects listed in the city's Urban Redevelopment Plan. The Lowry Mill restoration project continued through 2017.

Page 11-21- Notes to the Financial Statements – It provides additional information pertaining to the city's financial operations and position.

Page 17 – Capital Assets - There was not many capital assets for 2017. The 2013 bonds spent \$29,102 on additional cost for Lowry Mills. This project was still in progress at year end. The general fund purchased a 2016 Ford inceptor. The recreation department purchased one new Toyo mower.

Page 18-19 Note Disclosures - Long term debt. The city did not issue any new debt in 2017. The city continued paying on the balance owed on the 2013 URA revenue bonds. The bond payable at year end was \$1,795,000. The city since then has made another payment and as of today the bond balance is \$1,210,000. The total interest paid on those bonds during 2017 was \$36,235. At year end the remaining balance of the GEFA Note payment was \$59,818. The total interest paid during 2017 was \$1,398. The GEFA Note is scheduled to mature in 2021.

Pages 25-26 - 2008 and 2014 SPLOST Budget and Actual Statements- The total SPLOST collections for the year were \$621,369 in the 2014 SPLOST fund. Total expenditures in both SPLOST funds including debt service payments for the bonds and the GEFA note was \$631,261. For a detailed look at the SPLOSTS funds activities for 2017 you can refer to the schedule of SPLOSTS expenditures on page 37.

Mr. Hatch said the items he spoke on were just a brief summary of the financial operations of the city for 2017. He asked if they had any specific questions about something in the financial statements he will address them or they can contact him after tonight's meeting.

City Manager, James Stephens said he would like to point out on page 10, which is the general fund budget to actual, the net change in fund balance was a deficit of \$139,000. And they may recall it is extremely close to what management projected earlier in the year. As they projected, the fund balance ended up at \$639,908 which is almost identical to what he had projected going into 2018 budget. It shows the audit confirms the internal information the council received throughout the year. Mr. Hatch stated on a departmental level the total general fund expenditures still came in under budget by almost \$188,000 against the budget. Mr. Stephens said, as you all are aware, that kind of fat has been cut out of the 2018 budget and they will not show that kind of favorable bottom line as a result of 2018 but will be real close.

Mayor Worthington said to Mr. Hatch they appreciate him. He said, the city is very fortunate to have a city manager that does a great job and the whole staff. Mr. Stephens said Mr. Hatch has been a tremendous help throughout the year working with him, the city clerk and Butch Emerson, although we keep our independence, considers him a valuable part to the success of Euharlee.

UNFINISHED BUSINESS

City Revenue Discussion - Mayor and Council

City Manager James Stephens said he presented council with a 2 page document that gives the June 30, 2018 year to date information for the general operating fund. The 1st page is the details of the revenue and the total year to date actual revenue is \$764,524. The budgeted year to date is \$759,830 which shows a favorable balance of \$4,693 budgeted through June 30th year to date. It also shows right at \$14,000 to be used from accumulated fund balance. In reality the revenue is actually \$17,000 over actual revenues because we show appropriated fund balance under revenue items on the internal statements. The second page is a summary by departments. The total expenses are actually over year to date of our budgeted expenses by \$26,225. You can see that most departments are under budget predominately. The police department currently has a \$15,000 unfavorable variance on expenditures. In reviewing their departmental budget it is made up in line items and he is comfortable they can get in line. The budget was not allocated equally over 12 months. He looked at certain categories and he believes the police department will be within the original budget by the end of the year. The recreation department is also over by \$23,000 and honestly, that will have to be covered by favorable revenue variances or the decisions the council will make. They have had some rain outs. The concession is doing

well. Those are the only 2 departments where they are over budget through June 30 year to date. As you all will recall, the budget is extremely tight and also there are no capital items in it.

In addition to that presentation of where they are as of June 30th year to date, as Council Member Craig Guyton requested, he prepared an estimate of revenue and expenditures for the curbside garbage with the city to provide. The results show that if the city bought new equipment and financed it through GEFA for 10 years at 3.75% which is the rate they provided, they would provide about \$9,000 of positive cash over a year if we took that service on at a rate of \$15.00 per month per household. The land field charges are based on what the county rate is per ton. He looked at several municipalities and feels pretty comfortable with that number. He feels comfortable with the wages. The repairs and maintenance on new equipment should be on line with what he projected. He prepared as he was instructed to do. Before debt service, it would generate \$38,000 which is about 1/3 of a mill of tax. For 10 years, if we financed over 10 years, it would net the cash down to \$9,000. He is prepared to address any questions they may have related to possible revenue source.

Council Member David Duncan asked was it with all new equipment and Mr. Stephens said yes financed through GEFA.

Mr. Stephens additionally presented a copy of a consolidated sheet from the Bartow County tax accessor's office that shows the growth in the Euharlee district. At this time, a mill of tax would generate \$94,964 for the city based on the current digest. He also presented them with a sheet that displayed what a mill of tax would equate to, based on home valued between \$75,000 - \$300,000 per 1 mill, 2 mills and 3 mills of tax. The information is for consideration. Based on the current standing and the fact that we want to maintain a minimum of 4 months of accumulated fund balance for expenditures, a new revenue source is almost vital and required. They had a citizen articulate in an earlier meeting the fact that Euharlee is the only city currently not implementing a property millage rate and have no utility or service to generate any revenue stream. Based on the trend of the fund balance, although they are still above the 4 months, he would strongly recommend the council consider 1 of the 2 options. His professional recommendation would be for council to consider advertising for a 2 mill tax increase for the city which would generate \$189,000 to the city. For \$100,000 house it would be a \$76 tax bill for citizens, \$200,000 house \$176 and \$300,000 house it would be a \$236 tax bill. If he thought there were better alternatives he would present them. He knows sometimes leadership is very difficult. He recommended it as a professional and as the city manager.

Council Member Tracy Queen asked if it was his bottom line recommendation and will this just get them by? Mr. Stephens said, he would recommend a minimum of the 2 mill because of all the logistics processes to go through. He believes \$189,000 would accommodate other current needs, but may or may not provide for capital projects as fast as citizens may want. He does recommend a minimum of 2 mills. Council Member Duncan asked if they implement a tax, which he prefers over telling someone they have to have a certain garbage collector because of the phone calls he received, do they have to do it by September of this year to get it voted on by September.

Mr. Stephens said, the tax is usually generated by the tax office in the early part of September. For it to happen and go into place in 2018, there are advertisement requirements, to conduct 3 public hearings and the advertisement requirements take 14 days to provide for 3 public hearings. He needs the council, if they are serious about implementing a millage rate; he needs in the 7:00 pm meeting authorization for him to advertise the tax increase to be accomplished in time to be effective in 2018. He met with the tax commissioner administrator Peter Olsen and representatives from the tax accessor's office. If they go forward and authorize him at the 7:00 pm meeting to advertise the millage rate tax increase, they would have 2 public hearings on Tuesday, July 31, 2018 with one at 10:00 am and the other at 6:00 pm. The following week at the regular August meeting they would have a public hearing prior to that meeting. The millage rate would be adopted at the regular meeting for them to be able to submit form PT-32 to the tax commissioners and to the state of Georgia for it to be in place in this year. Council Member Duncan said he had a 2 part question; will it start this year or next year and the second part of the

question you are requesting 2 mills. If they did a 2 or 4 mills and come back next year and roll back if it generated too much.

Mr. Stephens said, he is asking council to authorize advertise for the increase that would go in place this year. You can certainly roll back next year whether you do 2 or 3 mills this year. If you do anything over 0 mills you have the taxing authority to roll back next year. Council Member Duncan said he doesn't want to do 2 mills this year and turn around and add 2 more mills next year.

Mr. Stephens said if you authorize him to add the increase, whatever figure you advertise that is definitely the cap. Whatever you advertise is your cap. You can decrease but not increase after advertising.

Mayor Steve Worthington said if everything turns around they can roll back to zero. Council Member Queen said, what he looked at was if they do 2 mills you would have \$40,000 extra and if they did 3 mills you would have \$90,000 they could set aside for projects or established what that money will go to during the budget review. If the Mayor says he wants to get this project done or this building fixed you can set the extra money aside and pay cash verses borrowing money. If they could save for 2 years they would have more for bigger projects. Borrowing money is horrible for the city but paying cash is the way to go. When you designate money you have to use it for that. But if you don't want to do that and live precariously budget to budget the 2 mills is where you should stand. Having extra money and have budget for projects to enhance the city is the way to go.

Council Member Duncan said having 2 or 3 is not going to make that much difference.

Mr. Stephens said from a political feedback it may not be that much difference.

Council Member Queen said it will give them the opportunity to buy equipment. He knows they bought one new mower but still short on equipment for Parks and Recreation. They are going to have some capital spends that are not in the budget right now. They don't have the budget to give raises to the staff. We can't give them cost of living or 3 percent. He said 3 mills would be appropriate for him. Council Member Joe Turner said he does not like it worth a hoot. He has sat there for 20 years but agreed with Mayor Worthington and what he said about Mr. Stephens. If he recommend 2 mills he is comfortable with that. If they have to do something different, that is what they hired him for and that is his job. If he recommends it that is the way they should go. Mr. Stephens recommended a minimum of 2 mills and if he felt like it would not accommodate them he would have recommended a different amount. With no disrespect to what Council Member Queen is saying. He is correct. However, he is under the opinion that conservatism is a fundamental; if the city was not in the process where they were going to have some bonds paid off in March of 2021 he would be more favorable towards what Council Member Queen is suggesting by more than 2 mills. But in 2021 they are going to free half a million dollars in SPLOST to use on items they put in the referendum in the next SPLOST. There is going to be some tremendous amount of capital freed up in 2021. If they were not in that position he would possibly recommend a higher millage.

Council Member Queen said you are looking at 3 years down the road. You aren't predicting equipment failure or police car repairs. You can't predict and that is why 3 mills would be good. Like it was said, you can always roll back. You don't want to hit everybody with a millage rate now and turn around 2 years from now and another increase. Do it and just be done with it so everybody can absorb it. He asked how much \$100,000 was. Mr. Stephens said if you do 3 mills on a \$100,000 it would be \$114.00 and for \$300,000 houses it will \$350. Council Member Queen said that is \$11 a month. You break it down monthly for him would be \$20 a month.

Council Member Craig Guyton said at the end of 2018 or the beginning of 2018 the current budget leads them with 4.3 months' worth of fund balance. If they implemented 2 mills the fund balance would leave them with how much. Mr. Stephens said it would put them at 5.4 months if they do not utilize any of the millage for capital outlays before December 31, 2018. Realize if the council approves, he would approach the council about amending the budget and purchase some of the equipment prior to that day. If they held out it would increase to 5.4 months. Council Member Guyton asked how much cash is it. Mr. Stephens said it would be about \$168,000. He said it would put them just under \$900,000 in cash

at 2 mills. Council Member Guyton said if the council approved that, what would you approach this council to purchase? Mr. Stephens said he would approach the council about buying some additional equipment to cut the road right away, to upgrade most of the mowers and to trade in 2 police cars and put 2 new cars on the road. Council Member Duncan asked if they still had one down with transmission problems and Mr. Stephens said yes. Council Member Queen said, that would be the 2 mills and they would have to stop again. The 3 mills you are able to give yourself leeway and do other things besides purchase capital. That is the whole point to go up one extra mill. He knows a lot of people do not want to do the extra mill. For some people it is \$28, \$58 and \$88 a mill. For him it would be \$88 which is \$264 a year. He is not going to come back and ask for more money. He said he can't tell you what the correct answer is but, it is the feeling he had. Council Member Duncan said to do it now.

Council Member Turner said he voiced his opinion about trusting the city manager. He asked Council Member Guyton if he had an opinion of which way he wanted to go. It's what they need to know.

Council Member Guyton said the question is going to be what the citizens' want. Do they want to continue to cut services or they interested in the millage. It is not a lot they can cut. They can as a city cut an entire department. Those are very drastic cuts. Also, raising a millage in a city that has never had one is a big step as well.

Council Member Duncan believed it is something they are going to have to do.

Council Member Guyton said that is why they are elected to make those decisions. He said it is very difficult for him to put a millage rate in at 2 mills and look around at other cities that have 2 mills that offer a lot more than they offer to the citizens. It may be because they have had a millage for years and able to provide more. He does not mind if they put the hearing together and advertise to hear from the citizens because he is pretty confident they will hear from them and hope they do. The question at this time maybe as fundamental as is the city of Euharlee an effective steward for the citizens. In other words does there need to be a city of Euharlee which is a fundamental question. Policing is probably the largest service, well it is, to the citizens and it reflected so in the budget. But some of the other services the citizens do not use. They provide a parks and recreation that is not utilized by the majority of the citizens. It utilized by citizens outside of the city. We provide a museum and museum director that is largely unused by people of the city of Euharlee. Those are some of the questions you ask when you are adding a tax. For all the citizens what all are they getting for their money. It will be interesting to hear from them.

Council Member Queen said what about the surrounding cities. He knows White and Taylorsville are zero. What about Adairsville and Emerson. Mr. Stephens said Adairsville is currently at 3.36, Emerson is at 2.83 and Cartersville is at the equivalent of 3.13. Cartersville has 2.13 for maintenance and operations and an additional mill for bonds. Council Member Queen said he looked at Rome and they are at 10 mills. He said, are we larger than Adairsville and they answered about the same.

Council Member Turner said he would like to add, what Council Member Guyton said is actually pretty accurate and truthful. However, he would hate to see the city take a step back and cut, then want to add back at a later date. He does not like going backwards even as simple as the museum and the other stuff. They have established it if the citizens want to participate. He does not like the idea of not taking a step forward even if it means a couple of mills. He is not saying that is what Council Member Guyton stated. He just stated the facts.

Mayor Steve Worthington said, we hired a man and I have told you that, speaking to Council Member Turner sitting in our driveway, along with 2 or 3 other people. We hired Mr. Stephens and he has all the confidence in him. If he recommends 2 mills then he is 2 mills. He will be honest with them, he has confidence and believe they can handle it. They have done things for the 25 years he has been here. A half a million dollars went into this building and they didn't have a mill tax. They bought it from the Board of Education. He believes they can do it if that's where they have to go. He said when he took office in January he put a moratorium on all spending except what it took to operate until July 1st for this reason; to take a hard look at the finances and to see where they were. We are at that point. Our city manager and city staff has done a good job putting this together and I'm sure spending waking minutes

at night thinking about it to make sure everything is right. If that is the way we have to go I'm going with Mr. Stephens's recommendation.

Council Member Queen asked if they want to advertise 2 mills or advertise 3 mills and vote on 2 mills. Mayor Worthington said to advertise what you are going to vote. Mr. Stephens said if you advertise 3 mills you can approve 2 mills without starting the process over. If you advertise 2 mills that is the cap. Council Member Queen said if you advertise 3 mills you will have the opportunity to do 3 mills and if you don't you will be stuck at 2 mills or even 1 mill. Mr. Stephens said he clearly respects Council Member Queen but being a hired staff member it is very different than you find yourselves as an elected official. If he truly thought they would be in a position, and he is not a fortune teller, that he was going to have to come back next year to this council and ask them to increase from 2 mills to a higher mill he would have that in his minimum recommendation today. But I mean no disrespect and understand Council Member Queen's position.

Council Member Guyton asked if it was Mr. Stephen's opinion as well that this council will need to maintain a 2 mill tax for next year based on everything you have seen already. Mr. Stephens said yes sir. Council Member Guyton asked Mr. Stephens during the break if he could print him out 5 budgets before the 7:00 pm meeting.

Mayor Worthington said so the decision is 2 mills. Council Member Duncan and Council Member Queen said 2 mills.

NEW BUSINESS

Vehicle Donation to Explorers - James Stephens

City Manager, James Stephens said they had a citizen to approach Chief New about a vehicle donation and restricted it to the explorer program. It is this council's option to accept the donation or not. The police department recommendation would be to auction or sell the car for scrap and not put it on the road. The donation doesn't restrict the city to keep it but what money they get for it to be used for the explorer program. It has 91,000 miles, wrecked in the front and sitting in the back. The paint is good but it will only bring about \$500.00. The intent is to buy uniforms for the explorers.

Community Events Steering Committee - James Stephens

City Manager, James Stephens said council had in front of them a sheet that includes the narrative for the committee. The council actually approved the structure of this committee back in 2017. They have that documentation and at the bottom there are 7 names recommended for the council to consider, approve and for them to move forward. There is a representative from the scout troops, Euharlee lodge, 2 representatives from the church, high school teacher and 2 citizens. Mayor Steve Worthington asked if anybody had any objection or suggestions.

Line of Credit with UCBI- James Stephens

City Manager, James Stephens said all the council is aware the 20% of the revenue is in a onetime deposit from the Department of Revenue for the insurance premium tax. It is budgeted this year at \$280,000. Based on that money coming in October and the working capital, he is asking the council to consider a line of credit with United Community Bank which holds most of the city's accounts. It would be for a line of credit secured by their Certificate of Deposits. It would be a \$250 loan origination fee. If they take draws on it they would take 2.3% interest. The line is established for \$165,000 and he would not anticipate to draw \$100,000 of it. He thinks it would be prudent to have in place. The council would be aware any time they would take a draw, if approved.

Council Member Joe Turner asked when it would be paid off and if it is long term. Mr. Stephens said by December 31, 2018 which is a short term line of credit.

Council Member Tracy Queen what is it for and why? What are the reserves for? Council Member Craig Guyton said for operations. Mr. Stephens explained the \$280,000 of the current years revenue does not

come in until October 15th. Council Member Turner said this will get us through October 15th. Council Member Queen said just so he is clear. You need a line of credit to subsidize us short term verses use of the reserve. You are paying interest and a \$250 fee. Mr. Stephens said they will be using \$165,000 of the reserve as collateral. If you opt not to do it, he will have to cash in a CD to make payroll. Council Member Guyton said some of the reserve is in a CD. Council Member Queen said he was thinking cash not CD's. Mr. Stephens said \$165,000 of CD's is in the reserve. He could cash them in. Council Member Queen said he does not want to cash in the CD's. They are better off to keep the CD's. He was not aware.

With no further discussion the meeting was adjourned at 6:51 pm.