

**CITY OF EUHARLEE
CITY COUNCIL WORK SESSION MINUTES
JULY 18, 2017**

2016 Audit Presentation - Christian Hatch, Williamson & Company, CPA's

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, 2016. He provided council with a copy of the audit along with the management letter and a report showing financial highlights for a 4 year period. 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. For the year end December 31, 2016 the city received a modified, or clean opinion. This states that the basic financial statements are fairly presented and all material respects, conformity with generally accounting principles. They also issue a report of the city's internal controls over financial reporting and compliance. This report outlines their responsibilities and consideration over the city's internal controls and financial reporting.

Mr. Hatch begin to review some of the highlights in the audit. The statement of net position. At year end the city's assets exceeded the total liabilities by \$9,223,839.00 with an increase of net position in the amount of \$200,954.00 over the prior year. The total tax revenue for 2016 including SPLOST collections was \$189,213.00 which was a decrease of \$74,272.00 from prior year. This was contributable to the decline in LOST, SPLOST and motor vehicle collections compared to 2015. The city did see significant increase in insurance premium taxes and energy excise taxes for the period.

The balance sheet and governmental funds, the city's total balance at year end including the CD's which decreased by \$340,284.00 and totaled \$1,961,084.00 as of yearend. Of that amount \$1,347,845.00 was externally restricted for capital projects, debt service and law enforcement activities. Decrease in cash was concentrated in the general fund and the 2014 SPLOST funds, which funds are mostly used for debt services on the URA bond. He said at year end, there was \$731,928.00 that was unspent of the 2013 URA bond funds.

The general fund budget verses actual statement, the city's general operating fund with a fund balance of \$779,242.00. This was a decrease of \$226,180.00 from 2015. On the revenue side, the total revenue decreased by \$102,090.00 which is misleading because the city received a large non-recurring donation in 2015. The moving affects of that donation, the general fund revenues for 2016 were in line with 2015 figures.

On the expenditure side the general fund came in at \$191,177.00 under total final budgeted expenditures for the year. Total expenditures were only \$6,494.00 higher than 2015 expenditures. Pages 11- 21 were notes to the financial statements and page 17 capital assets activity. The city expended an additional \$9,709.00 on the Lowry Mill Restoration project. The project was still in progress at year end. The city purchased two 2015 Explorers in equipment for the police department for \$62,514.00 and a new grasshopper mower for public works for \$9,627.00.

Pages 18-19 you have note to long term debt. The city did not issue any new debt in 2016. The city continued paying on the balance owed on the 2013 URA bonds and the balance at year end was \$2,370,000.00. In early 2017 the city made another payment so the balance as of today is \$1,795,000.00. The bonds are set to mature in 2020. The total interest paid on the bonds during the year was \$46,197.00. The remaining balance of the GEFA note at year end was \$78,446.00 and interest paid on that note during the year was \$1,768.00. The note is scheduled to mature in 2021.

Pages 25 and 26 the total SPLOST collected was \$564,412.00. Total expenditures for both SPLOST funds including URA bond payments and GEFA notes was \$636,223.00. You can refer to page 37 for the SPLOST schedule for activity.

These items are just a brief summary of the financial audit for the City of Euharlee 2016. Mr. Hatch said he would address any questions or contact him if they had questions at a later time.

Mayor Pro Tem Craig Guyton said they would bring it back up at the next meeting to approve and if there were any questions they would contact him.

SPLOST 2020 Projects – James Stephens

James Stephens City Manager presented to council for consideration and instructions for follow up for him to work on between now and the August meeting for the 2020 SPLOST projects. The initial SPLOST meeting has been rescheduled from August 15, 2017 to August 8, 2017.

Council was given by Mr. Stephens 2 various options for possible SPLOST expenditures for the 2020 referendum. He stated, these are starting points. The bold captioned numbers are totals by category which will ultimately be written into the intergovernmental agreement and also into the actual referendum that the voters will vote on. You also have details of what projects would make up the total by category.

Option 1 includes the sewer debt service is built into the intergovernmental agreement with Bartow County which is \$117,000.00 annually which comes to \$702,000.00 multiplied by 6 years. Also, an additional \$500,000.00 for Lowry Mill. As Mr. Hatch stated we have \$731,000.00 remaining from the URA bond. That plus the \$500,000.00, he is hopeful that would cover the Lowry Mill when the bids are opened in the next few months. Additionally, \$275,000.00 for the downtown development after the sewer project is completed. Under road improvements the biggest items showing on Option 1, which may be something you all may give different instructions on, the cost for the pedestrian bridge across the river is \$2,250,000.00 based on the span of 592 feet and will require 3/200 feet spans. That is a fairly close number. He said he is actually has a friend engineer coming to town Thursday, in the event y'all are interested, to look at that project to help him get a more and detailed and accurate number, You are welcome to join us. The total for road improvements is \$2,805,000.00. It also includes numbers for public works, public safety equipment and administrative office equipment to include new networks, servers, accounting software and possible municode software. Also, \$275,000.00 for a potential splash pad. The community has spoken favorable of it. Also included is equipment for Joe Cowan Park and improvements for Osborne Park. The total come to \$5,472,250.00. This is the amount Peter Olson, County Administrator has calculated for the City of Euharlee's portion would be on the 4.13% which is consistent with the current population and current SPLOST distribution. The option shows the potential monthly and yearly proceeds.

The main difference between Option 1 and Option 2 is in Option 2. He is showing the sewer debt service being paid off in 6 years instead of carrying it out for 20 years. So it is showing the \$2,000,000.00 being paid off during the next SPLOST referendum. To accomplish that, he deleted the pedestrian bridge over the river and added some monies for improvements in Frankie Harris Park. It's not to say we couldn't try to accomplish both, but those are the biggest differences presented. The sewer debt service agreement is over 20 years so we have flexibility and options there. This is intended to be a starting point for discussion and glad to add projects. He is going to try and get a sharper number on the bridge project. The projects do not have to be finalized for the August 8, 2017 meeting until sometime in the fall. We will do it by category, which is in bold for specific projects.

Council Member David Duncan asked, what time the guy will be there Thursday for the bridge. Mr. Stephens said he thinks 11:00 am, but will check his email to be sure. Council Member Duncan said, he would like to see it because he thinks we can do the pedestrian bridge. Also, he was concerned about outlets at Frankie Harris Park. Friday night at Food Truck Friday, he noticed that 2 food trucks needed 220 volts for their trucks. He did find two, but one was not accessible for them to get to and there is one in the middle by the big pine tree. The second guy had to run a generator. The generator makes a lot of

noise. He tried his best to cover it up to prevent the loud noise. We need to see about possibly getting more 220's out there for the food trucks if we are going to continue to have them.

Mr. Stephens said, most of them are equipped with an on board generator, but he will certainly be glad to look into. He said, they added one for the Georgia Paddle recently but it is close to the bathrooms. Mayor Pro Tem Craig Guyton asked how much did it cost. Mr. Stephens stated \$350.00 which is not a major item at all. Mayor Pro Tem Guyton said that is not a SPLOST project. He said for the next work session get a price to put a couple of extra poles along that line. Council Member Turner said the big power box is beside it and it won't cost nothing.

Mr. Stephens said he would copy everybody on the meeting, although we do not need to have a quorum present or violate the meeting law.

Council Member Joe Turner said Mayor Thayer made the statement the bridge is not on schedule to have any work on it. Do we know when he last checked on the information? Mayor Pro Tem Guyton said it was recently. Mr. Stephens said, Mayor Thayer and himself both serve on a board titled the Metropolitan Planning Organization. It is that activity that the Mayor gets that information related to the bridge and it is current. They actually encourage the city to take the lead and try to get something done. Council Member Turner said he didn't want to have the bridge built and 2 year later have to tear it down.

Council Member Turner asked about the 17 acres across the river. He asked if anyone had any experience in Boy Scout or Girl Scout going camping where they actually lease a certain amount of land. He guess we could build the camp for when they have the big jamborees, is there a demand for more of the camps around in the Georgia area. He asked would it be worth trying to build a Boy Scout area or would the return for the use of it be enough to keep it up. Mr. Stephens said, there is at least one Boy Scout camp in South Georgia near Tybee Island. Council Member David Duncan said it is one in Covington. Mr. Stephens said that Charles Reese, Planning and Zoning met with staff from the Economic Development recently and discussed the 17 acre. They will be visit during the fall with a full panel of experts. They will look at the feasibility of turning it in to some type of camp ground rather it be rustic, primitive or whether it have cabins. They are part of the ones who put together what customary rates are for various sites in the state of Georgia. So will get information from them and revenue stream we expect to receive based what we decide to go with. Council Member Turner said, his daughter has two kids that she kept in Boy Scouts. He knows there is this weekend thing down on Allatoona, but not sure if it is dedicated to the scouts or just a rental. He does not have any information, but by mentioning it he could get some information on the scouts. Since someone is coming to take a look at it, then we do not need to worry about it for a while. Mr. Stephens said they may be here before we have to finalize the intergovernmental agreement and we will have a better number. He thinks his number for that tract is a high number.

Mr. Stephens said, the road projects have been on the short and long term plan presented to the department of community affairs. The projects have been on the radar to complete. Council Member Turner said they talked about Five Forks before Joe Cowan Park started. Mr. Stephens said the main thing he would like for them to consider. He said, he and Charles Reese took a ride and there is a trail from Joe Cowan Park to Euharlee Road with the exception of one crosswalk that needs painted near the lodge that goes to the school. With the exception of adding a sidewalk near the exit of Shaw Woods, we really have a lot of walking capability already in the community. He was actually surprised of how complete it was. The 17 acre tract ties into the school and he is very excited for the potential of Euharlee. If we get through the point where the URA bonds are paid off, he is excited about what that can open up for the city.

Mr. Stephens said, the main thing he would like for this council to kick around is the difference between trying to pay the debt off in 6 years verses 20 years. If we get a better number on the bridge he thinks strong consideration should be given to the bridge. But he also thinks a large population was in favor of the sewer project, but are alarmed about the financing for 20 years when we predominantly rely on

SPLOST. If a decision was made to pay it off early there is no penalty based on the way we negotiated the intergovernmental agreement. Those are the main areas to sleep on and give him guidance on what the council wants his next step to be before the August meeting.

Council Member Turner said what is understanding is there is no penalty for paying it off early. If we go with the 20 years, 5 or 6 years from now if the economy goes in the tank again, it's not going to hurt us as bad. He said he is not suggesting we go with 20 years. If we do 20 and we are expected to pay a certain amount each year. If the economy goes bad, then we wouldn't be hurting as bad trying to make a 6 year payment. If the economy does stay good and we end up with extra monies we can pay against it. He like paying it off in 6 years instead of 20 years. He also know what happened in business is 2009.

Mr. Stephens said the rate is a good rate the city has and he had a difficult time obtaining it. Either way we have good options and hopefully they will get feedback from their constituents and both are good options.

Council Member Ronald Nesbitt said it was talk about before. If you look at option 2 you are buying down debt which a lot of citizens talk about us adding debt and we can start buying down. He was glad he brought options 1 and option 2. Looking at option 2, there are things on option 1 that will be postponed for a couple years if we go with option 2. He said both of them are great and the council will have to make a decision if they want to buy down debt and look at developing sometime later or start developing or pay off the life of the loans we have. He said to Mr. Stephens he did a good job and gave them something to look at and he is pleased with both. Mr. Stephens said they were not the only 2 options. We can work the document so that we have the flexibility to pay down and there are a multitude of scenarios we can consider before the final governmental agreement is drafted and executed.

Council Member Turner said the term Splash Pad which he thinks is a good idea after going to Cedartown. Also, the Memorial Park we have not put any of that in SPLOST. Mr. Stephens said that is actually in designated fund balance but it is SPLOST eligible. Council Member Turner, what we are doing with the Memorial Park is waiting on the funds to get more stable where we feel comfortable spending the money. Mr. Stephens said the Memorial Park will be in the \$275,000.00 downtown development portion, but that figure is shown as designated fund balance.

Mayor Pro Tem Guyton said he is in agreement Councilman Nesbitt, both options are extremely good. He has not spoken to one person who has been elected into this council in the last 8 years who did not at some point speak about a pedestrian bridge across the river. Simply because it was an idea to make the entire city walkable. You could walk from one end to the other which you can't currently do legally. Also, at the same time this council had talked about adding a millage rate. If you look at these two options and accept one of them, at the same time we have the millage rate if it becomes necessary or if the council deems it to become necessary, option 2 is the one the citizens would swallow a lot easier. I would think as a citizen it would be hard to say we are going to stretch out the debt service for 20 years even though, SPLOST and general fund are two separate items, this is just as a matter of public perception. He would feel a lot better if we were to pay down debt if the council were to vote to do that. Other than that the projects that are listed he have no issues with. The 17 acre tract development me personally, instead of seeing it on SPLOST dollars, I would prefer us doing something with grants with the assistance of the state, if it is going to be like a joint project possibly instead of SPLOST dollars. He does not think it is a wise use of SPLOST dollars. Everything else on here is definitely what SPLOST is for. If the citizens vote to continue with the projects it will be good.

Council Member Joe Turner said, people seemed to have accepted that I said we were going to pay on this project for 20 years. That was not what he was trying to get out. Mayor Pro Tem Guyton explained that one of them is based on paying for a 20 year note and one pays it off early. Council Member Turner said, but you can put it down as a 20 year note but pay it off in 5 or 6 years if you want to. Mayor Pro

Tem Guyton said, that is what option 2 does and we have already agreed to the 20 year note but option 2 pays it off in 6 years. Council Member Turner asked, what will we do 5 or 6 years from now when the economy goes down again and our SPLOST fund drops about 7 or 8 %. Mayor Pro Tem Guyton said, we don't have to pay the excess amount we only have to meet the obligation to meet the 20 year note even if the economy goes south. Even if we choose option 2 it does not change the 20 year agreement. Mr. Stephens stated, we will make sure that Attorney Boyd Pettit has it drafted in a way to keep that flexibility available to us in the event the economy does fall. Council Member Turner said that was his point. The way it is worded we have an option to pay off early but if we hit a bad stretch we are not obligated to pay something we can't. Mayor Pro Tem Guyton said this does not have anything to do with the 20 year agreement except that we may pay it off early and that is our decision. If you go with option 1 at the end of the 20 years note you have a pedestrian bridge. If you go with option 2 you pay the sewer off in 6 years and you can begin the work on the bridge if you choose to. Either way they both get accomplished a lot sooner with City of Euharlee remaining in debt to do it relying on SPLOST dollars. Council Member Joe Turner said, he did not want us to commit to something and then run into a bad time. Mayor Pro Tem Guyton said, even with option 2, if the SPLOST receipts fall down we can pay just the amount of the 20 year note we agreed to pay. This is the reason we wrote the agreement like we did because if the SPLOST fails we increase the millage to equal this amount out and will not be something we can say no too. Council Member Turner said he believes there is going to come a time when we can't say no anyway. He said he is trying to put it off as long as he can because he doesn't like the idea.

Mayor Pro Tem Guyton asked, before we vote on them are the two options available to the public, if citizens wanted to come by and get a copy. Mr. Stephens said yes, we will have them available. He would encourage the citizens to contact each one of them, the email and phone numbers are not hard to find, to put their input on these projects and other projects that may not be on the list.

There were no public comments.

With no further discussion the meeting adjourned at 7:38 pm.