

# CITY COUNCIL STUDY SESSION

**TO:** Mayor and City Council  
**FROM:** Mari E. Macomber, City Manager  
**SESSION DATE:** December 16, 2013  
**TIME:** 4:30 pm  
**PLACE:** Second Floor Conference Room

## **AGENDA:**

- PROPOSED 2014 BUDGET FINAL REVIEW
- ADVANCED DISPOSAL MEETING
- PSEUDOEPHEDRINE PRESENTATION
- REVIEW CITY COUNCIL NEWSLETTER
- REVIEW CITY COUNCIL AGENDA

**NOTE:** On Monday evening, I will be out of town. Jim Hughes will be acting City Manager for the day and will facilitate both your Study Session and Council Meeting. Enjoy the holidays.

## **PROPOSED 2014 BUDGET FINAL REVIEW**

This is just one final opportunity to ask any questions regarding the proposed 2014 budget before its final passage Monday evening. Attached is the budget summary, along with the budget memo.

Should you have any questions, Finance Director Lise Fuller will be in attendance at the Study Session.

## **ADVANCED DISPOSAL MEETING**

The City entered into a five year exclusive agreement with Veolia, after soliciting bids and then meeting with the public to discuss service options in 2010 for the collection and disposal of solid waste and recyclables in the City of Kirksville from April 1, 2010 through March 31, 2015 for all one, two, three, and four-unit residential properties. Since that time Veolia has gone through different ownership. Advanced Disposal is the name of the current owner.

Representatives from Advanced Disposal will be in attendance to introduce themselves to the City Council and to talk about the services that they provide to the citizens of the community. Brad Selby will be in attendance to make the introductions.

Over the course of 2014, we will begin developing our request for bids and soliciting response toward the end of 2014 to prepare for the start of a new contract period in April 2015.

## **PSEUDOEPHEDRINE PRESENTATION**

Back in July, local law enforcement made a presentation to the City Council concerning their desire to pursue additional restrictions within the city limits of Kirksville on the sale of products containing pseudoephedrine.

Before making any decisions on this matter, the Council wanted more information. Mr. Jim Gwinner, *Senior Vice President of Public Affairs with Larson Shannahan Slifka Group of Clayton, Missouri, along with Jim Moody will be in attendance to visit with the City Council.*

## **REVIEW COUNCIL NEWSLETTER – December 13, 2013**

### **REVIEW COUNCIL AGENDA**

#### Attachments

- Budget Summary Memo
- Advanced Disposal Staff Report
- Pseudoephedrine Information

## BUDGET MEMORANDUM

TO: Mayor and City Council

FROM: Mari E. Macomber, City Manager

SUBJECT: Proposed 2014 City Budget

The City Council has received the proposed budget for the fiscal year January 1 through December 31, 2014. Preparation of this document began in August with the distribution of the budget schedule and budget templates. On September 16, the City Council held their annual planning meeting during which the City Council chose to retain the goals that had been established for the previous fiscal year. The City Council has also been directly involved in other aspects of preparing the recommended budget, including review of proposed revenues for the General and Utility Funds, review of the updated versions of the City's multi-year plans (5-year street plan, 5-year water plan, 5-year wastewater plan, 5-year capital improvement plan, and rolling stock plan). Decisions made at City Council meetings and study sessions have been incorporated into the budget, as staff has understood them, along with normal budgetary responses to ongoing service demands of the Kirksville citizenry. The specific goals established by the City Council during the 2013 retreat will be highlighted in **bold face type** in the final budget document in the appropriate department and divisional sections of the recommended budget.

The City Council's review, revision and approval of an annual budget is the single most important decision made by the governing body during the course of the year because this document is the City's detailed plan for allocating its resources. The annual budget embodies hundreds of personnel hours, operating expenditures, capital replacement and infrastructure improvement decisions.

### **OVERVIEW**

Though the City is able to provide the services that citizens expect, the City's ability to do more is fiscally restricted. Since 2006, the City's committed expenditures have exceeded anticipated revenues. The proposed 2014 budget reflects this same trend. The City's financial condition has been strained since 2000. In 2003, the City made a commitment to reduce overspending, meet commitments and continue quality services to the citizens. Though the residents saw only a slight change in service, it was the policy decisions of the City Council, the internal operational changes and the reliance on department managers, supervisors and front line employees to identify ways to improve operations, reduce costs, and adjust to new policies and procedures aimed at protecting the City's assets.

The proposed 2014 budget's focus is on meeting the budgetary goals expressed by the City Council at the September planning retreat. City Council directives continue to place priority on economic development, quality of life, fiscal responsibility/efficiency in government and protection of city owned assets. The proposed 2014 budget reflects the City Council's directives, while meeting the fund balance policy requirement to retain a balance of 17 percent of budgeted General Fund expenditures, excluding capital, lease payments and contingencies.

The fund balance policy was modified in the fall of 2011 to ensure financial security. The 2012 year end actual fund balance was \$2,004,871. This fund balance was down from the previous year's actual fund balance by \$85,531. Though it is less, it still exceeds the 17% fund balance policy by \$675,357. The 2014 fund balance is budgeted at \$1,389,350.

In addition, the budget includes capital expenditures, which includes – \$12,960,830 in the utility fund which includes \$383,000 for storm drainage improvements; \$1,273,384 for wastewater plant design; \$7,500,000 for wastewater plant construction; \$1,075,000 for lift station repairs; \$442,699 for capital expenses in the General Fund for the replacement of equipment for streets; vehicle replacement for engineering; information system equipment; and equipment for fire and police services. The capital expenditures reflect a constrained dollar amount based upon available revenues.

The City's Budget Policy and the Missouri Statute Section 67.010.2. requires that the budgeted expenditures do not exceed the estimated revenues and any unencumbered balance. The City's Budget Policy further encourages that anticipated revenues and expenditures are balanced. The proposed budget meets the statutory requirements.

The 2014 budget year will continue to require staff to evaluate services and programs, and review organizational structures to determine overall operational efficiency.

The City maintains a self-insured health insurance program, funding each year at our maximum liability. The revenues received within this Fund come from premium payments made by the City on behalf of each employee for both single coverage and 50% of family coverage. Contributions are also received from the employees for their share of family coverage. The policy of the City requires a review of the fund balance in this fund at the end of each fiscal year, leaving a year end fund balance of a minimum of \$250,000. The projected fund balance for the year ending in 2013 is \$648,501. This year's health insurance costs are expected to increase compared to the 2013 budget and are \$433,591 over 2013 year expected costs. City staff continues to work with the current third party administrator and an employee benefits consultant who has helped to shop our reinsurance. In addition, the City in 2009 embarked on the formation of a wellness program to provide incentive and opportunity for employee wellness. By 2012, those employees who reached their targeted health index were given a premium discount. Those employees were given premium discounts for the year. 2014 will begin the fourth full year of the wellness program which includes a health screen completed by an independent provider. Employees who improve their health index, based upon the same health screen, will continue to receive a health insurance premium discount.

## **PERFORMANCE MEASURES**

The City's Annual Budget has included Performance Measures and Service Indicators for many years. The use of performance measurements can serve as an important tool in planning, budgeting and management. Performance measures help determine the quality and cost efficiency of government services. They can also identify the results achieved and the benefits delivered to citizens. Performance measures represent and measure our accountability to the public. We have worked on improving our Performance Measures and Service Indicators to improve Council and staff's ability to evaluate the services and work toward creating a system of accountability, transparency, and responsiveness to the citizens that we serve. Performance

measures have been developed that reflect one of three standards: workload; efficiency, and effectiveness.

The use of performance measurement provides decision makers with data on how well the organization has met established targets and can empower them with performance data to make necessary management decisions to achieve desired results. Making this data available to the public keeps government accountable to all stakeholders. Governments and communities of all sizes have benefited from increased accountability and increased involvement of citizens within performance measure development, budgeting, and monitoring. This is a process that we are developing and encourage Council input and comment.

## **PERSONNEL**

The current authorized number of full-time employees is 141, which includes 10 positions partially funded by other local agencies in partnership with the City of Kirksville. These partnerships include the E911 Joint Service Board and the School Resource Officer. There are no additional personnel proposed in the 2014.

The 2014 budget does not include a cost of living adjustment for employees. The last cost of living adjustment was given in 2013 at 2.5%. However, a \$300 bonus is planned at the end of 2013 in lieu of a cost of living adjustment for 2014. Over the course of this past fiscal year, the consumer price index or CPI is estimated to have increased 1.5%. For the period including the cost of living adjustment for employees through this calendar year, Social Security cost of living adjustments have totaled 3.2% which includes an adjustment of 1.5% to be made in January 2014. The budget also includes funds to cover required increases in retirement benefits and the costs of the City's share of health insurance premiums which is 76% of all revenues contributed to the Insurance Fund. The Health Insurance Fund also includes money to provide a match for employees who wish to obtain a fitness membership.

## **OTHER HIGHLIGHTS**

This is the first year in the past seven years that Kirksville has not experienced some sort of unexpected natural event affecting operations and/or causing concern to city operations. In 2012, the City saw drought conditions resulting in a Missouri Disaster Declaration. This drought condition affected the water capacities at both lakes and recreational use at Forest Lake. In 2011, City crews spent time responding to community needs as a result of a snow storm that dumped 12 inches of snow on our community and a windstorm that generated winds in excess of 70 mph. In 2010 damaged was sustained due to a 78 mile per hour wind storm that hit the north side of our community including the City's baseball/softball complex. In 2009 the City had been hit by a tornado. Previous natural disasters included flooding and ice storms. The 2013 budget included funds to replace one of the older existing warning sirens, expanding coverage and reliability. The 2014 budget includes funds for the replacement of one siren.

The Water Fund includes \$774,763 in infrastructure improvements with the majority of those funds going toward miscellaneous water lines/hydrants and the painting of the water treatment chemical silo. The Wastewater Fund includes \$11,803,067 which includes \$1.3 million for the design of the wastewater treatment plant and \$7.5 million for the first construction phase of the wastewater treatment plant. The water and sewer systems are funded by the users of the services through user charges. The rates were adjusted in 2008 to include a fixed service delivery fee. This fixed service rate was adjusted again in 2010 and 2012. The volume rate portion of the

utility charge set in 2007 was adjusted in 2011 and 2012 for both water and sewer operations. In 2011, the City also increased the minimum billable consumption level from 100 cubic feet per month to 200 cubic feet per month which was an improvement for the utility customers. The water and sewer rates continue to be evaluated annually. A decision to have our rate structure reviewed by a selected engineering firm is contained in the 2014 budget. The City's ability to evaluate and consider changes to our rate structure has been limited by our agreement with the Adair County Public Water District, which prevented this evaluation and consideration until after April 1, 2013. Once this evaluation is complete, the City Council will make a determination on changes, if any to the utility rates and their structure. Since the utility fund operates much like a business, it is important that the rates charged by the City for these services cover the costs of operations to insure proper maintenance and improvements are made. It is also important to evaluate the rates in order to participate in the SRF program, the Missouri Department of Natural Resources requires that the City maintain the user charges at a level to (a) pay the costs of the operation and maintenance of the systems; (b) pay the principal and interest on the SRF bonds as they become due; (c) ensure that net operating revenues are equal or greater than 110% of annual debt service; and (d) to provide sufficient reserves to pay debt service and to ensure protection and integrity of the systems. The 2014 Enterprise Budget includes a Stormwater Drainage budget in the amount of \$383,000. Funds are budgeted for several grants received by the City for sidewalk and trail improvements.

The Airport includes \$882,319 in capital to pay for runway and taxiway lighting and terminal improvements. The Transportation Sales Tax fund includes \$1,762,975 for street maintenance projects. These funds are intended for general street maintenance including concrete pavement repair, asphalt overlay and curb and gutter. The Capital Improvement Sales Tax includes \$52,000 for park improvements, a bridge at Rotary Park to access the disc golf, and a dog park. Funds are also included for another phase of Safe Routes to School; housing rehabilitation and demolition - \$222,550 and business improvement loans - \$15,000. The budget reflects a decrease of \$10,367 in the transfer of funds from the General due to the decrease in financial support required for the North Park fund. Transfers continue to be made to the North Park Fund (\$13,793), and Airport Fund (\$83,500), along with an additional \$40,000 for the Airport to eliminate this Fund's negative cash balance. The City's plan to eliminate the negative cash balance in the Airport Fund is to continue with the Transfer, incorporate the new revenue source from Cape Air of \$42,500 and reduce expenditures ensuring annual revenues exceed expenditures.

The South Highway 63 Tax Increment Financing District was established in 2009, and the South Highway 63 Corridor Improvement Plan was approved in 2010. Both programs were implemented to secure funding for improvements along south Baltimore from La Harpe Street past the JC Penney shopping center. Nine hundred and seventy-five thousand dollars was pledged to the project by the Missouri Highway and Transportation Commission with local match. The project was completed in 2012 significantly under budget. In 2013, \$104,000 was spent on improvements to the building facades, completing the projects planned for this area.

The City's budget contains 24 active funds - the General Fund; 10 active Special Revenue Funds; 3 Capital Improvement Funds; 1 Enterprise Fund; 2 Internal Service Funds; 6 Fiduciary Funds and 1 Agency Fund. Each of these funds reflects a balanced budget.

## **FINAL NOTES AND ACKNOWLEDGEMENTS**

The budget reflects the direction of the City Council. Throughout the budget document, one can find the goals and policies established by the City Council. The City's Department Managers and support staff have worked over the past few months to prepare this document to insure that it meets Council directives.

I hope that the City Council is pleased with the effort that has been made to continue to address the needs of the community, while working to reduce the negative financial condition of several of the City's funds.

There is a lot of planning and time that is put into the completion of the City's budget document, Thank you to the City Council for your leadership and direction throughout the year and your guidance during the planning process.

The preparation of the 2014 budget document focused on efficiency and accountability while reducing the overall amount of paper needed to complete the process. Department managers showed flexibility and teamwork throughout the process.

The budget document presented to the Council is organized and detailed. It represents the goals and commitment of the City Council and each department. The budget process also requires that our Finance Director be a competent, well trained and knowledgeable individual to insure compliance with state laws and local policies. The preparation of the budget is without question the most important task facing the City each year. Our ability to complete this budget document lies largely on the shoulders of the former Finance Director, Katie Myers. Her strong accounting knowledge and understanding of departmental needs was tremendous. I thank her for all her work and her commitment to producing a document that can be proudly presented to our citizens.

FY2014 COMBINED SUMMARY OF REVENUES, EXPENDITURES AND FUND BALANCES/NET POSITION							
	General	Special Revenue	Capital Improvement	Enterprise	Non-Expendable Fiduciary/Agency	Internal Service	Totals
Beginning Fund Balance/Net Position	\$2,042,986	\$772,466	\$408,448	\$6,418,871	\$267,729	\$647,082	\$10,557,581
<b>REVENUES</b>							
Taxes and Payments in Lieu of Taxes	6,099,788	1,851,219	2,024,230	-	-	-	9,975,237
Licenses and Permits	382,460	-	-	-	-	-	382,460
Intergovernmental	846,950	1,512,350	250,000	-	-	-	2,609,300
Charges for Services	157,000	1,436,482	-	6,129,641	-	2,171,647	9,894,770
Fines and Costs	140,020	-	-	-	-	-	140,020
Investment Earnings	8,000	2,836	6,000	349,700	2,819	6,250	375,605
Management Fees	295,550	-	-	-	-	-	295,550
Miscellaneous	115,951	51,425	131,472	168,815	300	-	467,963
TOTAL	8,045,719	4,854,312	2,411,702	6,648,156	3,119	2,177,897	24,140,905
<b>EXPENDITURES</b>							
Council	520,518	-	25,190	-	-	-	545,708
Administration	246,394	-	-	-	-	-	246,394
Human Resources	86,544	-	-	-	-	-	86,544
Economic Development	444,841	49,561	2,105	-	-	-	496,507
Finance	361,285	-	-	-	-	-	361,285
Information Systems	166,171	-	-	-	-	-	166,171
Municipal Court	157,964	-	-	-	-	-	157,964
Public Buildings	254,040	-	-	-	-	-	254,040
Police	1,965,830	-	-	-	-	-	1,965,830
Fire	1,573,584	-	-	-	-	-	1,573,584
Public Works and Streets	1,580,418	-	-	-	-	-	1,580,418
Codes and Engineering	420,176	-	-	-	-	-	420,176
Parks and Recreation	84,285	-	-	-	-	-	84,285
Aquatic Center	266,586	-	-	-	-	-	266,586
Capital Outlay	442,699	1,795,019	2,238,708	12,960,830	-	-	17,437,256
Principal/Fiscal Payments	-	1,329,265	152,344	2,011,611	115,580	-	3,608,800
Emergency Services	-	572,687	-	-	-	-	572,687
Utility	-	-	-	4,185,646	-	-	4,185,646
Airport	-	990,978	-	-	-	-	990,978
N. Park Expenses	-	95,021	-	-	-	-	95,021
Central Garage	-	-	-	-	-	697,723	697,723
Health Plan	-	-	-	-	-	1,722,631	1,722,631
TOTAL	8,571,334	4,832,530	2,418,347	19,158,087	115,580	2,420,354	37,516,232
EXCESS REVENUES OVER (UNDER) EXPENDITURES	(525,615)	21,782	(6,645)	(12,509,931)	(112,461)	(242,457)	(13,375,327)
<b>OTHER FINANCING</b>							
Loan/Bond Proceeds	-	-	-	10,874,384	-	-	10,874,384
Operating Transfer In	15,200	316,226	-	-	-	-	331,426
Operating Transfer Out	(143,221)	(35,000)	-	-	(10,200)	-	(188,421)
Equity Transfer In	-	-	47,105	7,110,582	25,000	-	7,182,687
Equity Transfer Out	-	-	(214,610)	(7,111,082)	-	-	(7,325,692)
TOTAL	(128,021)	281,226	(167,505)	10,873,884	14,800	-	10,874,384
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	(653,636)	303,008	(174,150)	(1,636,047)	(97,661)	(242,457)	(2,500,943)
Ending Fund Balance/Net Position	\$1,389,350	\$1,075,473	\$234,298	\$4,782,824	\$170,068	\$404,624	\$8,056,637
Nonspendable	-	-	-	-	-	-	-
Restricted	-	1,075,473	234,298	-	170,068	-	1,479,839
Committed	1,381,868	-	-	3,370,122	-	-	4,751,990
Assigned	-	-	-	-	-	-	-
Unassigned	7,482	-	-	1,412,702	-	404,624	1,824,809
Ending Fund Balance/Net Position	\$1,389,350	\$1,075,473	\$234,298	\$4,782,824	\$170,068	\$404,624	\$8,056,637

## **KIRKSVILLE CITY COUNCIL STUDY SESSION ATTACHMENT**

**SUBJECT:** Advanced Disposal Company Update

**STUDY SESSION MEETING DATE:** December 16, 2013

**CITY DEPARTMENT:** Codes & Planning Department

**PREPARED BY:** Brad Selby

Advanced Disposal Company has the trash contract for residential trash pickup in the City of Kirksville. They were previously Veolia Environmental Services. They also do all of our pickup of recyclable items and they have most of the large trash dumpster rentals for commercial business in the city.

Dan Buckley is the General Manager of this area, headquartered in Macon. He has been in this area for about a year. He would like to meet the city council members and give the council an update on his company and their operations, and would answer any questions the council might have.