

BUDGET, FINANCE AND PERSONNEL COMMITTEE
September 2, 2008
4:00 P.M.

Councilwoman Berz, Chairman, called the meeting of the Budget, Finance and Personnel Committee to order, with Councilmen Rico, Benson, Pierce, Shockley and Robinson present. Also present were City Attorneys Randall Nelson, Michael McMahan, and Phil Noblett. Shirley Crownover, Assistant Clerk to the Council, was also present.

Others present included Lee Norris, Jim Templeton, Gary Hilbert, Denny Malone, Steve Leach, Joachim Volz, Dan Johnson, Jerry Stewart, Daisy Madison, and Richard Beeland.

INTERCEPTOR SEWER BUDGET

Chairman Berz stated that she had spent a fascinating amount of time talking about solid waste. She turned the meeting over to the Public Works' people.

Adm. Leach thanked the Council for being patient.

Mr. Stewart handed out a Budget Presentation, which is made a part of this minute material. He went over it page by page, beginning with Projected Expenditures & Revenues for FY 07/08. The expenses were on the left side, including O&M, Debt Service, Capital Improvement, and Debt Reserve. He explained that any surplus goes back into the Fund Balance and this year the revenues over expenditures was \$1,239,260. Mr. Stewart stated they tried to be frugal.

The next page showed the Proposed Budget for FY 08/09, which calls for about \$2 million dollars in additional revenue.

The next page showed the proposed Revenues and Expenditures, with the revenues from Sewer Service Charges being the largest at \$32,404,211 for FY 07/08 and proposed \$35,034,044 for FY 08/09. He mentioned the Septic Tank Charges, which are proposed to be \$225,568. The Garbage Grinder Fees are proposed to be \$50,220—these are commercial grinders. Under expenditures, O&M proposed amount is \$26,598,791. The Reserve Coverage at \$935,697 is about 10% of Debt Service at \$15,594,946. These are emergency funds for the unexpected.

He next went over the impact on the average residential user on a monthly basis. This is based on 5,000 gallons. The increase will be \$.67 in October and \$.63 in April of next year, which means going up from \$21.74 monthly to \$23.04 monthly. The impact on the residential minimum user is 2,068 gallons, going from \$8.99 monthly to \$9.53 monthly by April of 2009.

Councilman Pierce verified that this percentage for the average user was 5,000 gallons. Mr. Stewart noted that this compared favorably with him with 3-4 people in the household.

Councilman Pierce maintained that a lot of substandard homes would go over this (5,000 gallons) because of leaks; that we are going up on our sewer bill and the water bill is going up. He stated that he did not feel that Mr. Stewart was giving us the real cost.

Mr. Stewart noted that there was a cap of 12,000 gallons on sewers—that the maximum pay is for 12,000 gallons; that leaks are a part of normal maintenance of a house. He stated that he thought the Water Company was even less usage than we are assuming.

Councilman Benson stated that he hated to bring this up but each Spring he gets questions about swimming pools.

Mr. Stewart explained that you can't discharge swimming pool water into the environment, and it has to go to the sewer system—that swimming pools are included in the 12,000 gallons cap.

Councilman Benson noted that this charge will go up, and it used to be exempt.

Mr. Stewart added that a residential user gets a 10% discount.

Councilman Benson stated that swimming pools cause a lot of trouble.

Councilman Rico questioned if it were the Council's responsibility to tell people about their sewer bills.

Adm. Leach noted that the rules did change, and there were a lot of misconceptions, and we put a cap on at 12,000 gallon for sewers.

The next page showed how we break the 6% down. Mr. Stewart noted that parts have gone up and anything associated with petro has gone up. The next page showed a scale of rate history with Mr. Stewart noting that we went nine years with no increase at all. The rate increases are in the 3% to 3 ½% range.

Mr. Stewart next went over the Rate Block structure, currently being 4.35 and going to 4.608. Mr. Stewart noted that this had been discussed with the Manufacturing Association, and they were aware of why we have this regulatory impact; that there is a Wastewater Appeals Board that we report this to.

Mr. Stewart next went over how we compare to other regional users, with our proposed cost being \$23.04 for the average residential user; Red Bank being \$28.90; and Lookout Mtn. Ga being \$13.91. In comparison to other cities—Knoxville is \$46.61 and Jackson is \$19.89. In comparison to cities in other States—Birmingham is \$42.04 and Lexington, Kentucky is \$12.89.

The last page of the handout was a summary. An Ordinance concerning this is due to be on the agenda for next week. Mr. Stewart reiterated that the cap is 12,000 gallons per month.

Adm. Leach noted that we have seven regional customers, with Mr. Stewart noting that grease is the hardest to handle.

Councilman Pierce stated that he knew this was mandatory, but people are combating the Water Co. and the Water Co. and Sewer Bill are tied together, and then we have the TVA increase of 30%. He questioned how the public could afford this and next we will be talking about increasing our property tax; that he did not see how the citizens could pay this as our economy is not up. He asked if this could be delayed 90 days.

Mr. Stewart responded that we need to continue on the program we are going, as we are getting pro-active. He mentioned Nashville owing \$300 million and Lexington owing \$300 million.

Councilman Pierce asked if cities bankrupt? He wanted to know if we do not live up to the mandate, what would be the result?

Councilman Benson noted that this has nothing to do with the water bill; that this keeps us from getting into problems like Knoxville; that if we don't live up to these standards, we will get fined like Knoxville. He stated that he agreed with this—that some expenditures are necessities; that we need to do away with nice desirables, but he believed this was a necessity. He stated that we owed it to our environment and asked what the fine in Knoxville was. Mr. Stewart responded that he thought it was \$250 million dollars. Councilman Benson stated that we needed to save all the money we can and that was why he got upset when we buy art.

Chairman Berz stated that we have to keep our water clean.

The meeting adjourned at 4:25 P.M.