



To: Council, Citizens and Employees of the City of Elkton
Date: May 18, 2017
Subject: FY 2018 Budget Proposal and Message

Introduction

I am pleased to present to you this budget proposal and message for the fiscal year beginning July 1, 2017 and ending June 30, 2018.

This budget is being proposed after diligently working over the last month with each city council member, department heads and City Clerk/Treasurer in reviewing past year's actual figures, current year to date totals and discussing future goals.

The major goal of the city is to continue to improve the quality of services provided to the citizens of Elkton, while keeping the costs of these services as low as possible.

Revenues

The city continues to rely on taxes, including occupational license, insurance premium and property taxes, which will account for approximately 76% of all general fund revenues next year. Therefore, our general operating revenues depend closely on the investment in our citizens, small businesses and industries in our community.

In 2016, an ISO survey lowered our Fire Class Rating decrease from Class 7 to Class 4. While this will save our property owners on their property insurance premiums, the city will see a decrease in insurance premium tax revenue due to these savings.

The utility departments continuously needs ongoing maintenance and repairs to water lines, water tanks, sewer lines and the waste water treatment plant. Over the next several years, each department will need major repairs and some of those will be highlighted in later discussion. Due to the serious problems that arose in Flint, Michigan a few years ago, all indications are that regulations and future compliance inspections will be met with violation orders and fines rather than warnings. New sewer discharge permits going into

effect require more plant and infrastructure monitoring and a written maintenance and replacement program. This program will be monitored more closely and stretch the sewer budget even thinner. The sewer department is already under an order to remove two constructed overflow pipes that are no longer compliant. This will cost more time and money as the necessary studies and engineering are completed to solve this issue.

Therefore, after consultation with the Utility/Street Department and City Clerk/Treasurer, it is proposed in this budget an increase in the water and sewer rates. The city has compared rates to surrounding areas that are also served by Logan-Todd Regional Water Commission and has found that our higher water users are getting a very large discount, which means they are paying less for using more water. In one nearby community, a customer would pay \$207.78 for 10,000 gallons of water and sewer use. In Elkton, a customer using the same 10,000 gallons would pay \$148.18. Therefore, we are proposing an increase in only those customers using more than the minimum of 2,000 gallons in both water and sewer in order for everyone to pay more of their fair share of water and sewer services. We are proposing not to raise the minimum charge for water and sewer.

We are all concerned how this affects our customers. The minimum bill of 2,000 gallons will see no increase at all. A customer using 4,000 gallons per month will increase \$4.92 per month. A customer using 10,000 gallons per month would increase \$21.88 more per month. About 75% of customers in Elkton use 4,000 gallons or less.

In short, without a water rate increase the water department would be looking at a deficit of \$76,400. The sewer department would be looking at nearly \$143,000 deficit. Even with these increases, both departments are projected to have a deficit, but every effort will be made to save money where possible.

Expenditures

This budget proposal contains a 2% cost of living salary increase to all full-time and part-time employees and city officials. Also proposed, all full-time employees will receive longevity pay on their employment anniversary date. This small increase helps keep Elkton employees' salaries comparable to surrounding communities.

There are a few special projects and goals proposed in this budget, including the following:

Administration

- No Special Projects or Purchases
- It is proposed that the city continue to support industrial recruitment and economic development in Elkton and Todd County with \$30,000 budgeted for these purposes.

- I propose continuing our annual contribution to the Recreation Commission in the amount of \$17,000 for operation and maintenance of the City-County Park and sports programs.

Police Department

- This proposal includes the purchase of a new Ford Explorer Police vehicle financed over two years for a total cost of approximately \$17,000 each year.
- The Police Chief has also recommended the city participate once again in the Pennyrile Narcotics Task Force by making an annual contribution of up to \$750.
- The budget includes 6 full-time police officers, 1 new full-time police officer recruit, and 1 part-time police officer, which will continue to provide 24 hour police service as the city ordinances require.

Fire Department

- This year's proposal does not include any special projects or purchases. The department received an increase in Fire State Aid from \$8,500 per year to \$11,000 per year.

Street Department

- The proposed budget includes \$138,000 for construction of new sidewalks on West Main Street through a Transportation Cabinet TAP grant, which will reimburse the city 80% of this expense.
- This proposal also includes the addition of a temporary full-time employee during the summer months to help with mowing and other utility/street department duties at a cost of \$12,500.

Water and Sewer Departments

- The cost of supplies and ongoing maintenance in utilities continues to be an ongoing and increasing expense.
- The city council has approved a hydraulic study of the water system to determine options for repairing, replacing or removing water tanks in the city. Once an engineering proposal is reviewed, the proposed budget contains \$30,000 in water department expenses to begin the proposed project.
- The department also proposes to replace water lines in several areas of town. The department intends to do this work in house.
- In the sewer department, overall expenses continue to increase. This proposal includes expected maintenance items, however a larger grant project will be proposed at a later date for major repairs to the waste water treatment plant.
- There is \$30,000 budgeted for a new aerator in the oxidation ditch at the sewer plant.
- There is approximately \$25,000 in sewer expenses proposed to perform smoke testing and engineering fees to study future improvements to inflow and infiltration into the sewer system.

- The city has received requests to extend sewer main lines on B White Road and Pond River Road to accommodate future growth. This budget contains \$75,000 in sewer line extension expenses for these projects.
- The budget proposal also includes the addition of 1 full-time utility/street maintenance employee. This is estimated to cost the water and sewer department about \$28,000 each. This new position is necessary to complete the many duties maintenance projects, line extensions, and reporting requirements.

This proposal and explanations are presented for your consideration and it is my trust that you will find them both reasonable and workable. I appreciate and thank the city council and staff for their hard work in assisting me with the preparation of this proposal.

Sincerely,

Jackie Boyd Weathers, Mayor