CITY OF GRIFFIN BOARD OF COMMISSIONERS
WORKSHOP
ONE GRIFFIN CENTER, W. ELMER GEORGE MUNICIPAL HALL
TUESDAY, JULY 28, 2015

Chairperson Doug Hollberg presided, calling the meeting to order at 10:05 a.m. Commissioners attending included Dick Morrow, Cynthia Reid-Ward, Ryan McLemore, and Rodney McCord

Also present were City Manager Kenny L. Smith, City Attorney Andrew J. Whalen, III, and Teresa Watson to record minutes.

REGULAR AGENDA

1) The City of Griffin's rate consultant for water and wastewater, Raftelis Financial Consultants, will present "Water & Sewer Utilities - Finance and Rate" Workshop.

   Public Works and Utilities Director Brant Keller introduced Lex Warmath of Raftelis Financial Consultants, Inc. He began by saying their initial scope was to assess and develop a 5-year model, but now they plan in five-year increments. If something is further out than that, they will keep a watchful eye. The model is updated annually and uses the MTI so the City can provide notice to ratepayers. As an enterprise fund, water and sewer utilities must run as a self-supporting business. Capital investment is made with careful and thoughtful, proactive mindsets. Scale of operations, infrastructure and investment requires a certain deliberateness about the process. They must strike a balance between keeping resilient, sustainable facilities and infrastructure, yet have it remain affordable for the set of objectives. Cost increases primarily are driven by capital needs. Revenues are based on historical data, and financial polici8es guide the balancing process. They incorporate the City of Griffin's own objectives, as well.

   The PowerPoint slideshow presentation is attached to and becomes a part of these official minutes.

   A general overview of Raftelis, its credentials and its scope of service was provided. They have been engaged with the City since 2011 to perform several tasks. Developing a financial plan is a comprehensive process (see flowchart) with rates set to recover revenue requirements. Revenue requirements have increased an average of 4% since 2011 to the annual Operating & Maintenance budget. On capital costs, debt service and cash funded capital investments must be considered. Ours is an older system with some assets in their 80s. Some bills starting to come due, so we must balance how much we can fund on capital outlay. About 64% of revenue goes to direct operations, with 23% going to debt service and others comprising the remainder. The system has quite a bid of debt on the water side, and the 9% transfer to general fund may be on the high side.

   Water & Sewer Rate Structure is fairly typical with a mandate for some type of conservation. The monthly minimum includes the first 2000 gallons. They may recommend a shift to a true base cost and away from the minimum. There would be no allowance for usage and then the system will be charging everyone for all thousand-gallon increments. This is easier to track and maybe a little cleaner. The downside is any changes to the rate structure will impact customers and require some customer service aspect accordingly. To demonstrate a better balance and improved revenue flow helps to minimize the downside of customer impact. About 30% of costs are recovered from fixed and 70% from volumetric, excluding wholesale, which is about right. One must be mindful of the right signals without being overly burdensome.

   MCI based increases do not keep up with rising costs of managing the utility. Since 2009, the City has averaged a little over 2% and the nationwide average is closer to 5.5%. Utility rates have gone up 4.5% to 5%. They have regulatory issues and have to spend capital dollars. MCI has not kept up, is not sufficient, and won't be any more so in the future. The City may become less capable to keep up with rising costs. Other things besides water cost are components in the MCI.

   The City's financial position is pretty solid, noted the consultant. Consistent annual operating cost increases average 4%. There is minimal pay-go capital with $900,000 in the FY 16 budget. Current reserve levels of about 90 days are in O & M, but 180-270 days of O &M is a more reasonable goal. He would like to see considerations of adoption of formal financial policies (debt coverage, reserve levels, budgetary controls, etc.). Current policies are not written, nor are they formal. A written policy would better define, and allow for the proactive measure of rate adjustments. The worst thing is to do nothing for an extended period of time and then, in reality, have to raise 10%.

Key considerations of Financial Plan include:

- Asset Management and Aging Infrastructure - Updated master plan of $100 million in needs over the next nine years, including plant upgrades/expansions, pump stations, raw water lines and decisions on debt funding v. cash funding that will impact rates
- Regulatory Requirements to encompass upgrades to plants due to age and regulations and Flint River regulatory changes with potential impacts
- Additional ongoing studies to encompass key asset condition assessment and interbasin transfer

Major capital needs:

- Water System – Plans from 2016 through 2023 for various pump stations and infrastructure totaling about $70 million
- Wastewater System – Plans from 2016 through 2023 for various plant upgrades, expansions and analyses

Other considerations include whole contracts and non-revenue water costs, such as mandates and EPA requirements. In summary, wholesale contracts provide some revenue stability and uses available capacity. The Coweta contract lowered annual revenue with $9M upfront and $2M/year for FY 2016 through FY 2024. Key assumptions are that expenditures will average in O&M about 3.3% per year with capital investments as the key driver (79% debt financed with goal to increase cash-financed capital). Key assumptions for revenues include rate projections beyond the 2.25% annual MCI adjustments, no growth in accounts and a .5% annual reduction to retail consumption.

Mr. Warmath answered questions. The City is selling as much to wholesale as they are willing to pay and experiencing a good return on contracts. Age of the City’s assets, though, are problematic and will need to be addressed. The Band-Aids we have been applying are peeling off the duct tape that peeled off the paint. He answered that relying on one line and one plant carries a significant risk factor and was not something he recommended. A certain level of redundancy is beneficial lowers that risk factor. The projected cost is to serve inside customers as well as outside the system and must be sustainable. The national average has been 5.5% for ten years and Griffin has been well under that threshold. Those valuable assets are worth protecting. When water supplies dwindle, Griffin will be in the driver’s seat. None of the numbers are fixed. Finding a different way to go or pushing it out for a year of two are available options, but he cautioned that capital investments are cheaper now more so than before the economic downturn.

There will be more studies and analyses to come. Engineers can lay out risks for different options. Think of this recommendation as a worst case scenario – this is what it will take to do all of these things, and the 5.5% rate is not unusual. Many clients would like to see the rate increases under 8%. Commissioner McLemore said the Board would need much more discussion and clarification but with all outside contracts included and still at 5.5%, this may be palatable. Commissioner Morrow felt the rates needed to be above MCI in order to survive. The plan gets updated every year. The message today is that this tool is out there and can be customized for future plans. They can note what it would look like. Shoal Creek is not included. Commissioner Morrow did not want to be in a position of putting our heads in the sand.

The overall financial plan combines the water financial plan and the sewer financial plan. The recommended 5.5% is based on no growth with .5% increase in demand. The driver is cost and timing of capital investments and how they are funded. At this point, they will need more information that is ongoing.

The estimated customer impact assumes 5000 gallons per month. The 4.68% average annual bill increases are required to fund capital plans. The average bill may be getting upward of $87, which is significant and undesired, but may be required. Current averages are $71 monthly for water and sewer ($41 for sewer and $30 for water). In this region, there are both very large and very small utilities, so there is broad range of water/sewer rates in the surrounding area. Therefore, we cannot make too much of local comparisons. The fact that we have water is probably largest competitive advantage; we can guarantee product to prospects. Some large prospects have been lost because of that inability to supply capacity. The City might consider absorbing on some contracts but that opens a can of worms. He concluded by noting that we are not adding supply but rather upgrading infrastructure.

2) Receive update from Chairman and Executive Director of the Griffin-Spalding County Land Bank Authority.

Newton Galloway, Chairman of Land Bank Authority, and John Joiner, Executive Director, will review where the Land Bank stands and provide an update of properties that the Land Bank holds (attached). He will follow up and conclude with overview and request for City policy changes.

Commissioner McCord left the meeting.

John Joiner thanked the Board and provided an overview of land bank opportunity in the community. NSP properties through DCA are almost on the finish line which is good news. Ten files were originally viewed and they have received clearance on five. Four others may be cleared with the remaining having deficiencies. DCA required some things like provider of home maintenance. One property was sold and the person then moved out of town. They required a home fair, which was held on June 27 to fulfill that requirement. We are waiting for DCA to confirm, and when they respond, 9 of 10 properties should be cleared. He detailed some property specifics. Some have no purchasers yet because they are still in process, but will go to market when complete.

The Land Bank has ten other properties that remain on hold waiting on DCA. They are reviewing property notebooks for submission to DCA. Everything prior to sale needs to be confirmed. He detailed some properties still in process, as well. Some houses have been acquired but need extensive renovation. They are currently transitioning to being administered by the Griffin Housing Authority rather than Land Bank Authority and changes to action plan are being explored with DCA. He urged caution because they lose money actually on every house that is obtained and updated. The Land Bank can impact many more properties if a concentration is targeted on neighborhoods. There is no cause to demolish some of the homes and tax sale properties are treated differently. Some can be held for more than a year and they must notify owners. The process of taking legal possession can be lengthy and they cannot demolish any structure until that occurs. They started out moving slowly and greatly accelerated over the last year with 19 substandard houses being demolished through the land bank in cooperation with the City. Nine more were filed this week, and at least four more are in the group being advertised. They must advertise for four weeks; this is final step, particularly if service could not be completed to the owner. Title work sometimes bottlenecks the process, as well.

Commissioner Reid-Ward asked several questions about the process, and Mr. Joiner responded. About 160 homes have gone through the system so far, and they are working on the delays.

Lastly, the property at 522 Meriwether Street in the old Haisten's Building was the site of a recent really inspiring community effort, even with much debate on whether or not it was worth saving. It is a good thing for Griffin, and the property looks a lot better even though they haven't heard of any potential buyers yet. The Historical Preservation option expires October 1, 2015. There is some interest but no buyers yet. One issue is that you cannot get a tax credit with the larger Meriwether Homes tax credit project ongoing up the street.

Newton Galloway then provided observations on NSP. In an environment like Griffin, the current program's NSP restrictions won't work. Loan values, sustainability, and our shot-gun approach mean there is no way to get a critical mass together. Sunnybrook was good example. The NSP approach probably helped that neighborhood. In addition to programs requiring acquisition. NSP throws money with no or few guidelines. A much more effective use of funds would be to demo more substandard housing. He could foresee a mechanism whereby money could go to demolition of substandard housing. City crews do very well at demolition of homes, and they are approaching 1200 in substandard housing. The Land Bank stopped buying and renovating because of: 1) record keeping to be brought current, and 2) demolition is a better use of funds for some properties. Perhaps getting DCA to update guidelines might be beneficial. They are obtaining a fair number of properties with some degree of geographic mass being accomplished. Some are acquired at tax sale but in some instances they are left to sit until a decision made with regard to foreclosure. The Land Bank is a quicker option to get title to a property to demo than other options. We have reached a stride and the process works, but we have been reluctant to just flip properties just to put back on the tax digest without restrictions because to do so might perpetuate a slum component as part of that process.

He stated he is very glad NSP is winding down but we have interesting challenges ahead. Some of the lots coming up at tax sales are 8000 sf. While they are nonconforming protected lots, we have no business selling for homes to be erected on 8000 sf. Even if there is standing without substandard condition, they may not be viable to renovate and sell, particularly with an eye to lending institutions. They are modeling the best components from the Athens Land Trust for architectural standards and guidelines for affordable structures. Perhaps some adjustment of zoning and development criteria, as well as architectural design and aesthetic guidelines, could meet a more realistic goal of having these properties be beneficial to the City and the tax base in the next few years. Clearly, houses should provide affordable opportunities for people to live in their own homes and not have anyone impacted by substandard conditions and have it be able to be adequately maintained. So, the Land Bank is more than just houses; it is developing neighborhoods for folks to live in and invest their time and money.

Zoning changes, a mechanism to restrict for homeowner occupancy, architectural design, house size, aesthetic guidelines, amenities, etc. are all part of the process.

Commissioner Morrow agrees other features should be part of the assessment and hopes a task force could come up with flexible rules that work rather than mindless zoning rules that don't.

Mr. Galloway continued that the Historical Society is making a significant contribution and wants to be involved with the rehab of the Rosenwald School. Proposed mill villages merit historical protection as critical mass areas of historic nature; they formed the housing backbone of people who worked in mills and provided the economic backbone of the City that was supported by textile mills.

Chairman Hollberg noted he still sought the goal of 2020 homes by the year 2020. There are so many areas for improvement to make Griffin better and asked Kristen Miller with UGA Archway Partnership to attend. The City Commission will work with them.

Commissioner Reid-Ward said the initial idea is basically being repeated. She would not say where she thought we veered off path, but the sad and circuitous route originally intended has not come to fruition. The model and plan in other places was already there, all we had to do was follow it.

Mr. Galloway noted that critical mass geographically really was necessary. The new Land Bank statute provides greater authority and will take further time to get critical mass together enough to make significant difference in neighborhoods as a whole.

Commissioner Reid-Ward noted the Thomaston Mill neighborhood could have with the number of houses that were demolished there. Perhaps the process can target a neighborhood before she grows old and dies. Mr. Galloway felt the same, but noted the process was contingent upon what's available in tax sales. Property values are more vulnerable to speculators and developers buying at tax sales because the values are so depressed. When he looks at the expanse of this problem, he realizes it is huge. A big help would be to be open to develop modifications.

ADJOURN

Motion/second by Commissioner Reid-Ward/Morrow to adjourn at 12:09 p.m. carried 4-0.

Respectfully Submitted,

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Kenny L. Smith, City Manager/Secretary

Accepted:

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Douglas S. Hollberg, Chairperson