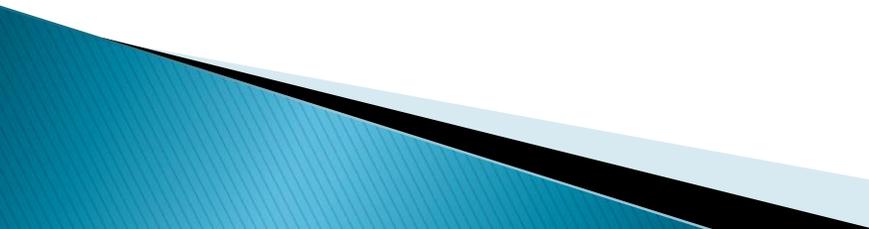


Financial Turnaround at the City of Washington

Brent Hinson
March 19, 2014

Washington's Situation at 6/30/11

- ▶ General Fund balance of (\$434,005)
 - ▶ Debt Service Fund balance of (\$84,761)
 - ▶ Water Fund balance of (\$322,599)
 - ▶ Sanitation Fund balance of (\$128,284)
 - ▶ Still had \$1,930,857 in unexpended G.O. bond funds on hand from 2009 bond issue
 - ▶ Without these bond funds, undesignated cash on hand was \$1,481,018 against an annual operating budget of over \$9 million.
- 

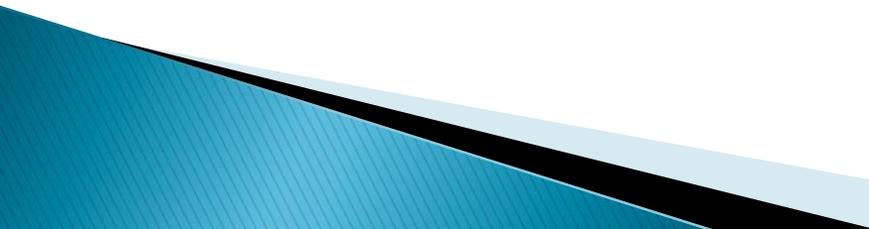
Washington's Situation at 6/30/11

- ▶ Sewer rates were more than doubled at 8/1/11 to pay for an \$18 million new sewer plant, construction on which began that month.
- ▶ Water utility had not been significantly improved since 1992, when a new plant was constructed. Ground storage reservoir nearly 100 years old, north water tower declared structurally unsound in 1999 but still in service, no new Jordan Aquifer wells drilled since 1967, and plant desperately needed upgrades.
- ▶ Most streets in town have sealcoat surfacing with no curb & gutter.
- ▶ Police Dept. sandwiched into under 1,000 square feet of space, no permanent Council Chamber.
- ▶ No industrial lots available for sale.

Washington's Situation at 6/30/11

- ▶ Well-situated community that has grown in population essentially since its founding.
 - ▶ Strong local culture of volunteerism.
 - ▶ Solid group of department heads and lean & productive workforce.
 - ▶ Within past five years, had completed a downtown library project, major renovations to Central Park, and a streetscaping project of the town square.
 - ▶ Strong public and private investment in downtown.
 - ▶ Resources available from Washington County Riverboat Foundation (gaming revenues).
 - ▶ Relatively low G.O. debt load, with major debt retirement coming in 2018.
- 

What was done or is being done?

- ▶ I was hired in mid–August 2011, and began work full–time in mid–October 2011. I had researched the City’s financial situation thoroughly before my interview, and took a measured but hard line in my interview on the importance of improving City finances.
 - ▶ First step taken was to retain Public Financial Management to analyze the City’s Water, Sewer, and Debt Service Funds.
 - ▶ I handled analysis of the General Fund and other funds.
- 

What was done or is being done?

- ▶ Analyzed operating expenditures, which seemed to be in line with comparable cities. Analyzed revenues, which showed that the City's tax levy for operational purposes (City levy minus debt service levy) was more than \$1/\$1,000 below the average of comparable communities.
- ▶ Secured \$0.85/\$1,000 increase in levy in FY2012–2013 budget.
- ▶ Asked IFA for permission to restructure sewer debt to allow time to fix Water Fund. Went to \$100k principal payments for 1st 5 years (rather than \$500k), and then cut sewer rate by 14.5% and raised water rate by 30% (these offset, leading to no net increase). Implemented a provision in City Code requiring an annual 3.5% increase in water, sewer, and sanitation rates, unless amended by resolution of the Council.
- ▶ Raised sanitation rate by \$1/mo on residential bills, and did one-time transfer from sewer to water & sanitation to bring those funds out of the red.
- ▶ Refinanced economic development revenue bond for a project that was underperforming, but for which the City had still been making full debt service payments, setting up internal loan repayment to General Fund for the overpayment.

What was done or is being done?

- ▶ Commissioned Water Facility Plan, which called for replacement of ground storage reservoir, replacement of north water tower, major maintenance work on south tower, complete rehab of water plant, drilling of a new Jordan well, and various water main replacements over the next 7 years.
- ▶ Implemented annual G.O. bonding for street improvements (\$500k program). Formed partnership with school district for \$80k in funding for road upgrades around new high school.
- ▶ Commissioned Municipal Building study to look at future space needs for City Hall, Police, and Fire. Study was presented in February 2014, and first of building improvements are expected to begin in 2016.
- ▶ Gained support of department heads for spending limitations and additional budgetary controls, and focused on long-term planning for capital equipment and other improvements, including updated CIP.
- ▶ Set goal fund balances for General Fund (25% of annual revenues), Water Fund (35% of annual revenues), and Sewer Fund (35% of annual revenues), and used those goals as guidelines for budget preparation.
- ▶ Restructured Urban Renewal Areas to prepare for future growth and began design of new industrial park (to be constructed in 2014).

Results

- ▶ \$800,000 investment in street paving, not including Federal Aid projects (add'l \$330,000), with \$500,000 in additional paving planned for Summer 2014.
- ▶ New industrial park will be under construction in Spring 2014, pending approval of RISE grant (\$1.5 million project).
- ▶ 1 million gallon ground storage reservoir under contract, to be constructed by end of summer (\$1.75 million project).
- ▶ New water tower design to begin this spring.
- ▶ Planning process underway for Municipal Building related projects, with goal being construction of new/renovated facilities for City Hall, Police, and Fire, more than doubling current facility space. Bond issuance to be timed with major bond retirement to minimize/eliminate tax rate impact (2016–2019 construction).

Results

<u>Fund</u>	<u>6/30/11 Balance</u>	<u>6/30/12 Balance</u>	<u>6/30/13 Balance</u>	<u>6/30/14 Balance (Proj)</u>	<u>Goals</u>
General	(\$434,005)	\$275,210	\$589,823	\$734,101	\$894,000
Water	(\$322,599)	\$294,974	\$635,312	\$756,246	\$576,000
Sewer	\$924,024	\$1,469,522	\$1,789,916	\$1,320,956	\$721,000
Sanitation	(\$128,284)	\$34,516	\$52,866	\$65,205	\$97,000
Overall, Less Bond Funds on Hand	\$1,481,018	\$4,017,911	\$5,575,601	\$5,106,061	5,000,000