

CITY OF TECUMSEH  
CITY COUNCIL STUDY SESSION  
FEBRUARY 3, 2014  
COUNCIL CHAMBERS  
6:30 P.M.

Mayor Johnson called the meeting to order.

Roll call was taken as follows:

Present: Mayor Johnson, Council members Baker, Naugle, Philo, VanAlstine, Wimple and Wright.

Absent: Wimple.

Also Present: City Manager Kevin Welch, City Clerk Mary Feight and City Attorney Scott Baker.

Motion VanAlstine and seconded Philo, to accept the February 3, 2014 Study Session agenda.

Water and Wastewater Rate Study

Manager Welch explained that the Water Dept. is independent of the General Fund and revenue is mainly received thru grants and water sales. The Water and Wastewater Rate Study is done annually to determine if rates are adequate to cover expenses and to estimate future expenses. The study includes a separate report for both the water and wastewater. Each fund has an unrestricted cash reserve account which is used for fund related expenses and a capital reserve account intended for future capital expenses. The Manager also noted that a depreciation expense is reflected in the normal operating cost in both funds. This charge allows the funds to capture the cost of equipment used during the year and is reflected in the rates and allows the city to fund future capital expenditures.

Manager Welch discussed in depth the Water and Wastewater Study presented to Council. Reporting that the Wastewater Fund 2013 revenue was approximately \$57,000 higher than expected due to the rate increase in January 2013 and expenses were \$10,000 more than budgeted. Total cash balance as of June 2013 was \$989,000 which consists of \$422,000 in unrestricted cash and \$568,000 in capital reserves. Kevin reported that most expenses are incurred at the water plant where the waste water is processed. 2014 estimates include a \$41,000 loss of unrestricted cash and an increase of \$72,000 in capital reserves totaling net cash increase of \$31,000. A net cash decrease of \$31,000 is estimated for 2015 with a \$73,000 loss of unrestricted cash and an increase of \$42,000 to capital reserves.

Manager Welch reported that the Water Fund revenue was higher than expected for 2013 due to rate increase, higher volume of water sales and tap fees and expenses were down \$12,000. Net total cash increase of \$50,000 which includes a net operating loss of approximately \$6,000 (due to depreciation charge of \$77,000) and an increase in capital reserves of \$3,000. As of June 30, 2013 total cash balance was \$646,000 (\$128,000 unrestricted and \$518,000 restricted). Estimations for 2014 are a net cash increase of \$4,000, with a \$30,000 loss of unrestricted cash and an increase of \$35,000 for capital reserves. 2015 estimates were \$32,000 loss of unrestricted cash and an increase of \$34,000 to the capital reserves for an overall cash increase of \$2,000.

Manager Welch suggested an increase in wastewater rates by .14 per 1000 effective April 1, 2014 in anticipation of a loss of unrestricted cash in the future. Noting that \$200,000 from the capital reserves will be used for the blower project. He reminded council that only one of the two recommended increases of December 2012 were implemented and felt rates would still be

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reasonable Furthermore, based on a 2011 water and sewer rate survey, Tecumseh had the lowest water rate and was midway in wastewater rates of the communities surveyed.

2014-2015 Budget Projections

Kevin reviewed the materials presented to Council that included estimated revenues and expenses for the current 2013/2014 budget and a preliminary 2014/2015 budget. The materials included a summary of the General Fund Budget, transfers from the General Fund, other funds, Reserved and Designated funds and a detailed line item section. Estimated Fund Balance for 2014 is \$1,307,000. Parks and Recreation's increased revenue due to all the activity at the Smith Park.

Kevin noted that during budget preparation the last few years, Council has had to make some difficult decisions due to the decrease in revenue sharing and taxes. This included reducing work force, pension and health care changes. Future budget preparation issues to consider include the TCA, Health Care Reform Act, network upgrade, reduction in personal taxes and minimum funds for road construction.

Motion VanAlstine and seconded Philo, to adjourn the study session at 7:27 p.m.

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Richard E. Johnson, Mayor

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Mary Feight, City Clerk