



## AGENDA

SILOAM SPRINGS UTILITY COMMISSION  
MAY 25, 2023  
CITY HALL BOARD ROOM / 5:30 PM

- I. Opening of Regularly Scheduled Meeting**
  - A. Call to Order
  - B. Roll Call
  - C. Pledge of Allegiance
  - D. Approval of Minutes of the April 27, 2023 Regular Meeting
  
- II. Annexation – Don Clark, Community Development Director**
  - A. Overview of area in proposed annexation
  - B. Discussion of reason for the proposed annexation
  
- III. Financials of the Utilities**
  - A. Financial Management Policies
  - B. Income Statements
  - C. Internal/External Financials
  - D. Board Data
  
- IV. Adjournment**

**MINUTES OF THE REGULAR  
MEETING OF THE UTILITY  
COMMISSION OF THE CITY  
OF SILOAM SPRINGS, ARKANSAS  
HELD ON APRIL 27, 2023**

The meeting was called to order by Commissioner Neff.

Commissioner Neff held the Roll Call and those present were: Bernadette Keck, David Neff, and Herbie Galicia. Commissioner Wiggins joined later in the meeting during the presentation.

City representatives present included: Christina Petriches, Acting City Administrator, Steve Gorszczyk Public Works Director, Phil Stokes Electric Director.

The Commissioner Neff lead the Pledge of Allegiance.

The Commission approved the minutes of the March 30, 2023 meeting.

- I. Scenic Hill Solar presentation by Bill Halter. Presented benefits of solar for the City. Four schematic options were presented to reach a maximum of 13.6 MW per GRDA contract showing benefit to the City as a cost savings without detail and listing non-financial and hedging benefits. Discussion of any negative impacts of the panels. None noted per Scenic Hill Solar. The expectation is that we will have liability insurance on the system for wind, hail, etc. System w/ batteries can offset the peak. Batteries were not presented as a system option. Solar is the main renewable energy source for Arkansas. Many large manufacturers want green energy associated with power generation. Phil confirmed the importance of green energy with new industry. Discussion occurred of the uses related to the additional funds made from the solar project. Neff thanked the men from Scenic Hill Solar for their presentation.
- II. Phil Stokes discussed GRDA contract including the way the City is charged for electricity. Questions about how we can make solar energy cheaper for the end consumers were raised. Phil answered that we can put programs in place that would be better alternative to individuals placing panels on roofs.
- III. Steve discussed headworks design and how it works, the fact that we need 2 screens, and that we may need to reconfigure the flow. Maxwell St sewer also in design and there is concrete below the asphalt. This project is from Flint Pl down to Jefferson. Staff will replace any smaller pipe with 18-inch pipe.
- IV. Commissioner Neff made a motion to adjourn. Commissioner Wiggins 2<sup>nd</sup> the motion. The Commission voted unanimously to adjourn.

APPROVED:

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David Neff, Chair

Date

# Utility Financial Overview

For the Utility Commission

# Financial Management Policies

- Cash Balance Policy – a minimum of 25% of the annual budget for operations and capital funded by operations.
  - For 2023 the amount for utilities is approximately \$16 million
  - Utility unrestricted cash as of March 31, 2023 is almost \$12.5 million
  - The last time utilities covered their own cash requirement was prior to the Board approving \$3.8 million to paid from reserves to cover the winter storm
- Long-term Debt
  - Wastewater has revolving loan fund repayments of \$376,142 through 2025
  - Water has ANRC loan with minimum repayments of \$1,843,744. Dedicated sales tax funding pays for this loan. If sales tax does not decline – payoff in 2027 as all tax receipts are put towards the debt each year.

# Financial Management Policies Continued

- Transfers and Interfund Loans
  - The City will transfer annually from the utility funds to the general funds the following amount of utility sales net of power cost
    - Electric fund – 49%
    - Water fund – 35%
    - Wastewater fund – 30%
    - Sanitation fund – 25%
  - Transfer percentages will be reviewed at least every 5 years. (Due 2024 for 2025)
  - Interfund loans are allowable provided each loan meets the following criteria:
    - The loan does not place an undue burden on the fund providing the loan.
    - The fund receiving the loan has a realistic repayment plan.
    - The Board approves the loan and repayment plan.

# Future Major Projects by Priority

## **Electric**

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|                             |              |
|-----------------------------|--------------|
| Distribution Lines          | \$4,000,000  |
| AMI replacment              | \$2,000,000  |
| Christmas lights - Broadway | \$50,000     |
| New traffic lights          | \$1,500,000  |
| Underground Distribution    | \$1,000,000  |
| New substation              | \$15,000,000 |
| Solar Farm                  | \$30,000,000 |

# Future Major Projects by Priority Continued

## **Public Works**

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### **W/WW/WS/S**

|           |                      |              |
|-----------|----------------------|--------------|
| <b>WS</b> | Maxwell Street Sewer | \$1,100,000  |
| <b>WW</b> | Headworks Upgrade    | \$5,500,000  |
| <b>WS</b> | Water Services Bldg  | \$1,000,000  |
| <b>WW</b> | Blower Replacement   | \$2,000,000  |
| <b>WW</b> | Phosphorous removal  | \$20,000,000 |



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## **FINANCIAL MANAGEMENT POLICIES**

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Written and adopted financial policies have many benefits, such as assisting the Board of Directors and Administration in the financial management of the City, instilling public confidence and providing continuity over time as Director and staff changes occur.

Current and long-range financial stability is essential to enable the City to maintain a position of integrity and to meet the goals identified in the budget. The Finance Department, in conjunction with the City Administrator's Office, will work to maintain these fiscal policies by careful and frequent monitoring of expenditures and revenue sources. New revenue sources will be examined, and existing revenue sources will be periodically reviewed to determine the need for adjustment to cover the costs of providing services.

The Board of Directors adopts appropriations at the fund level. Department managers are responsible for managing budgets within the appropriated funding levels under their control.

In order to continue to provide a high level of municipal services to residents and businesses and to maintain the desired level of financial stability, the following financial policies shall guide fiscal decision making, including the development of the City's budget. The following policy statements reflect the principles and priorities the City uses in preparing and amending the budget:

### ***Cash Balance Policy***

The City desires to maintain the proper level of financial resources to guard its citizens against service disruption in the event of unexpected temporary revenue shortfalls or unpredicted one-time expenditures.

- At a minimum, the City will maintain a legally unrestricted cash balance equivalent to 25% of budgeted annual expenditures for operations and capital outlay funded by operations. This includes all expenditures for general funds and expenses for all utility funds and internal service funds. This excludes street fund expenditures and capital expenditures with a dedicated funding source (i.e., 3/8<sup>th</sup> tax, depreciation, grants, etc).
- The minimum cash balance has been established for the following:
  - Provide adequate funding to cover approximately three months of operating expenditures.
  - Provide stability and flexibility to respond to unexpected adversity and/or opportunities.
  - Permit orderly budgetary adjustments in the event of unanticipated revenue shortfalls.
  - Provide the liquidity necessary to accommodate the City's uneven cash flow, which



is inherent in its periodic revenue collection, including grant funds which are generally on a reimbursement basis.

- Provide the liquidity to respond to contingent liabilities.
  - Meet unexpected increases in service delivery costs.
  - Fund planned capital projects, thereby avoiding debt.
  - Assist in paying-down debt on outstanding obligations.
- The City will spend restricted dollars where available before unrestricted funds are used.
  - Use of legally unrestricted cash that reduces the cash balance below the minimum must be approved by the Board. A method and timeline must be provided to the Board to return legally unrestricted cash to the proper balance at the time the request to use the funds is made. The only exceptions are declared emergencies caused by catastrophes or natural disasters.
  - Board approved commitments or assignments of legally unrestricted cash shall expire at the end of each budget year but can be renewed annually in the budget based on Board approval.

### ***Long-Term Debt and Debt Management Policy***

- The City will limit long-term debt to only those capital improvements or projects that cannot be financed from current revenues. The maturity date for any debt will not exceed the reasonably expected useful life of the project to be financed.
- The City's policy is to plan and direct the use of debt so that debt service payments will be a predictable and manageable part of the operating budget. The City continues to pursue a moderate capital improvement program through a careful balance of increased debt and pay-as-you-go capital projects. Each capital project that may be funded by debt is evaluated within the context of the City's long-range debt management policy and the capital improvement program.
- The City will not issue long-term debt to finance current operations. The City will always consider alternative funding sources before issuing long-term debt.
- Capital will be raised at the lowest possible cost through maintenance of a high credit rating and a fiscally conservative approach in the credit markets. The City will work to maintain and improve its bond rating through sound financial planning and decisions.

### ***General Operating Budget Policies***

- Ongoing operations of the City shall be funded from ongoing revenues.
- Actual revenues and expenditures shall be monitored monthly against budget estimates and appropriations.
- A three-year projection of revenues and expenditures for all funds shall be prepared and updated annually.

## ***Revenue Policies***

- The City will estimate its annual revenue by an objective, analytical process. Revenues will be conservatively estimated and each year the Finance Department will project revenues for the next three years based on historic trend analysis to establish baseline estimates. Each existing and potential revenue source will be reexamined annually.
- The City will pay for all current expenditures with current revenues. The City will avoid budgetary procedures that balance current expenditures at the expense of meeting future years' expenses such as postponing essential expenditures or relying on uncertain revenues from future years. Both revenues and expenses will be recognized as they occur.
- The City will maintain a broad-based, well-diversified portfolio of revenues and the revenue burden shall be focused on sales tax, utility fees, and user fees.
- The City's general policy is to use major one-time revenues to fund capital improvements or reserves. The use of one-time revenues to fund ongoing expenditures is discouraged.

## ***Expenditure Policies***

- Planning and budgeting of major expenditures will be based upon a priority setting process that is designed to narrow the range from a list of desirable expenditures to financially feasible expenditures.
- Each year, the Finance Department will update expenditure projections for the next three years. Projections will include estimated operating costs, capital outlays, debt service, and capital improvement program expenditures.
- As the City conducts its long-range financial planning; special emphasis will be placed on maintaining and improving the physical assets of the City, including public facilities and equipment.
- In an effort to reduce the cost of capital expenditures, Federal, State and other intergovernmental and private funding sources shall be applied for and used as available. A concerted effort in applying for matching grants is strongly encouraged.
- The City shall evaluate the fiscal impact of any proposed changes in employee benefits to be provided. Prior to assuming liability for expanded benefits, a viable funding plan with estimates of longer-term impacts shall be incorporated in the analysis.
- New expenditures that will be ongoing to the City should have an identified funding source.
- A calendar for capital outlays will be established annually to maintain a positive cash flow.

## ***Transfer and Interfund Loan Policies***

- The City will transfer annually from the utility funds to the general funds the following amount of utility sales net of power cost:
  - Electric fund – 49%
  - Water fund – 35%
  - Wastewater fund – 30%
  - Sanitation fund – 25%

- Transfer percentages will be reviewed at least every 5 years.
- Any changes to the above transfer percentages are subject to approval by resolution of the Board of Directors.
- Other transfers between funds, such as a transfer from the general fund to the street fund, are allowed subject to approval by the Board of Directors.
- Interfund loans are allowable provided each loan meets the following criteria:
  - The loan does not place an undue burden on the fund providing the loan.
  - The fund receiving the loan has a realistic repayment plan.
  - The Board approves the loan and repayment plan.

### ***Financial Reporting Policies***

- The City's accounting and financial reporting systems shall be maintained in conformance with the current accepted principles and standards of Government Accounting Standards Board and Government Finance Officers Association.
- The City Administrator will submit financial statements to the Board on a monthly basis. These monthly financials will contain both a balance sheet and income statement providing required information such as cash balances, long-term liabilities, revenue and expenses year to date.
- The Finance Department staff will provide additional financial reports to the Board on a monthly basis. These reports will include detailed revenue and expense information by fund and year-to-date information compared to the approved budget with significant variances noted, along with year-to-date and prior year comparisons for the individual enterprise funds.
- An annual audit will be performed by an independent public accounting firm with an audit opinion to be included with the City's published Annual Financial Report (AFR).
- To provide a reasonable basis for making management's required representations concerning the finances of the City of Siloam Springs, the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.
- The City's Budget should satisfy criteria as a financial and policy document, as a comprehensive financial plan, as an operations guide for all organizational units and as a communications device for all significant budgetary issues, trends and resource choices.
- Within sixty days of the close of the fiscal year, the City Administrator shall submit a report to the Board of Directors summarizing the accomplishments of the past year with respect to the goals and objectives outlined in the Budget. This report shall be in addition to the Annual Financial Report compiled by the Certified Public Accountants retained by the Board of Directors to conduct the annual financial audit. Financial information from this annual report will be published in accordance with State law no later than April 1<sup>st</sup> each year.

### ***Operating Management Policies***

- All departments will participate in the responsibility of complying with these policies and ensuring long-term financial health. Future service plans and program initiatives will be developed to reflect policy directives, projected resources and future service requirements.
- Budget development will use strategic multi-year financial planning, conservative revenue forecasts and will require every expense/expenditure to be justified annually in terms of meeting intended objectives and in terms of value received for dollars allocated. The process will include a diligent review of programs by staff, management and Board of Directors.
- The City shall strive to identify entrepreneurial solutions to recover costs of operating programs.
- The City shall strive to avoid returning to the Board of Directors mid-year for new or expanded appropriations. Exceptions may include emergencies, unforeseen impacts or new opportunities.

Addition of personnel will only be requested to meet program initiatives and policy directives after service needs have been thoroughly examined and it is substantiated that additional staffing will result in increased revenue or enhanced operating efficiencies. To the extent feasible, personnel cost reductions will be achieved through attrition.