

Town of Winnsboro

SEAT OF FRANKLIN PARISH

STARS & STRIPES CAPITAL OF LOUISIANA

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BUDGET MESSAGE

The Summary of Auditor's Results, completed for the July 1, 2018 through June 30, 2019 fiscal year, found two infractions – an internal control issue potentially leading to the material weakness of the financial statements, and a non-compliance issue resulting from the failure to comply with equipment procurement procedures. The detail and cure for each are as follows:

- **Internal Control:** capital outlay totaling \$946,122 and equipment totaling \$131,224 were expensed instead of capitalized in accordance with the Town's \$1,000 threshold policy. Louisiana Revised Statute 24:515. B.1 requires the municipality to maintain records of its capital assets. The failure to properly identify capital assets as such in the subsidiary ledger could materially mistake Net Position. The Administration will continue to strengthen internal controls over capital assets to ensure records are accurate, complete, and properly reflected in the financial statements.
- **Non-Compliance:** a vehicle was purchased without being advertised or obtained from the State's procurement list. Louisiana Revised Statute 39:1594(C) (1-5) states that an adequate public notice of the invitation for bids should be given at least twenty days prior to the opening of bids for equipment, or by advertising, or purchased from the State's list. The failure to procure equipment in accordance with the Louisiana Procurement Code means that the vehicle may not have been obtained at the lowest available price. The Administration will review annually all items purchased frequently and solicit bids to ensure the lowest prices, and compliance with State bid laws.

With much of the first year's discombobulation behind us, attention turned to making inroads on goals set forth in the inaugural budget message. As you may recall, these goals were to maintain or improve upon core services such as water, sewer, garbage, and protection; and to strengthen the balance sheet and rebuild financial reserves for contingencies through cost mitigations.

The ethos of a progressive community is core services, and progressive communities compel governance to deliver quality core services. Barring temporary snafus with trash pickup, the quality and deliverance of core services have remained intact, and in some cases improved. Some noteworthy measures taken to maintain and/or improve core services include:

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- The Fire Department provided community and educational services on fire safety via its monthly newspaper article entitled “Glad You Asked,” and through the administration and installation of 100 free smoke detectors. The department responded to roughly 20 fires, hazardous materials, and rescue calls each month; and served as the hub for the NELA food bank program.
- The Police Department invested in body vests to increase protection, and body cameras to reduce personal, public, and municipal risks. The department responded to roughly 500 calls per month.
- Public Works continued its award-winning ways with top honors in both the Regional Water Taste Contest and the Regional Waste Water Beauty Contest. In addition to producing some of the cleanest water and waste water in the state, the department played a pivotal role in helping the Town win the regional 2019 cleanest city award.
- The Administrative office demonstrated good citizenship by spearheading its second annual Summer Work Program for students (hiring 23); hosting a gratis outdoor concert that featured local celebrity musician Robert Finley, and bestowing him with a key to the city.

Productivity is to Net Position as Net Position is to the balance sheet. With this in mind, measures were taken to disencumber thorny procedures and burdensome expenses that manifest lackluster productivity. Some noteworthy measures taken to strengthen the balance sheet and/or rebuild reserves include:

- Partially upgraded infrastructure (front office software and telephone system) for improved functionality and in preparation of full integration.
- Replaced Kiosk system with an online payment system for greater convenience and perpetual availability to customers.
- Linked front office revenue receipts to bank deposits to reduce errors and increase fluidity and transparency.
- Averted roughly \$216,000 in an IRS penalty stemming from the failure to file W2's and W3 in 2015.
- Renegotiated trash contract resulting in a cost reduction of roughly \$11,000 annually.
- Implemented Medicare Advantage health insurance plan for retirees over 65, reducing annual premium costs by \$20,679.
- Renegotiated occupational license contract resulting in a 9% savings in processing fees and a 10% savings in collection fees.
- Exercised a cancellation clause in a lengthy auto-renewing uniform contract as a prelude to negotiating more favorable terms.
- Instituted an energy-saving program to cut electricity costs by utilizing LED bulbs; systematically replacing filters in heating and cooling units; and turning off lights and electrical equipment after hours.
- Revamped imbalanced work schedules to remove ubiquitous and compulsory overtime with expected annual savings of roughly \$40,000.
- Eliminated insurance premium on three airport hangars resulting in over \$1,000 in annual savings; and on a dilapidated building, with little intrinsic value, resulting in over \$10,000 in annual savings.

As with other communities around the world, town size did not insulate us from the perils of COVID-19. Although the virus had a limited impact on the quality and deliverance of core

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services (delayed trash pick-up), the effects were more discernible with initiatives to strengthen the balance sheet because attention shifted to the safety and wellbeing of our community. In an effort to mitigate the spread of the virus, the Administration established curfews, enforced guidelines on social gathering, instituted lockdown and promoted online/drop box payments, suspended late fees and shutoffs, and furloughed non-essential personnel. Some balance sheet initiatives that were disrupted, but expected to resume as mitigation comes to pass include:

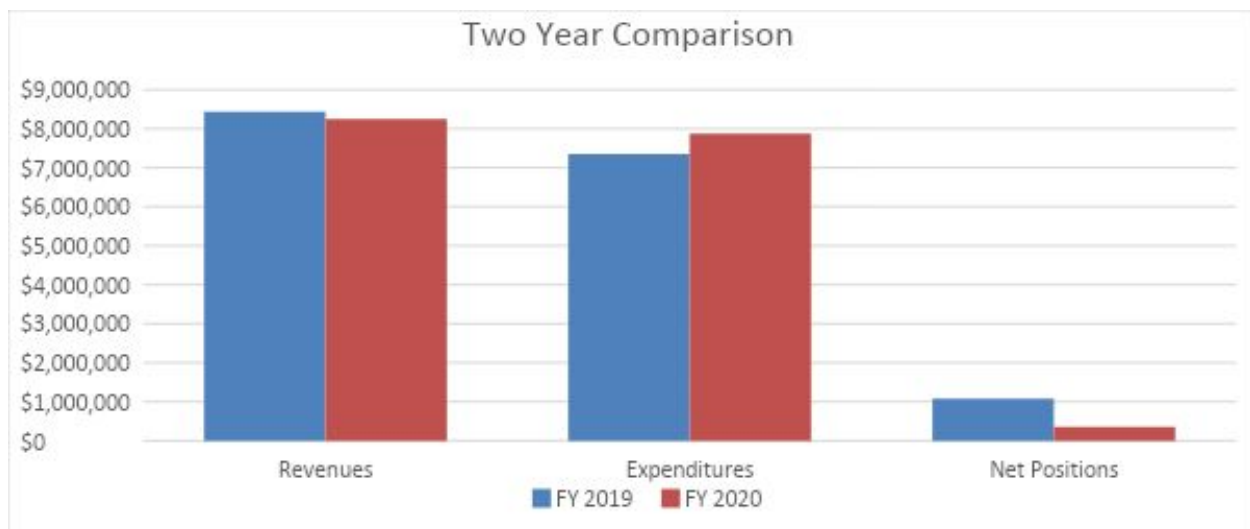
- Update the auto and equipment insurance policies for potential savings (without compromising coverage).
- Install GPS units in Public Works vehicles to improve efficiency and productivity.
- Implement an on-site fueling procedure to reduce fuel and lubricant costs, and improve productivity.
- Refinance bond obligations at lower rates and same maturity to lower payment and interest costs.

The spreadsheet that follows is a summary of estimated revenues, expenditures, and Net Positions by fund for the upcoming fiscal year.

Funds	Revenues	Expenditures	Net Positions
General	\$3,141,275	\$3,117,740	\$23,535
Industrial	\$165,180	\$154,110	\$11,070
Sales Tax	\$3,151,560	\$2,832,320	\$319,240
Utility	\$1,791,713	\$1,775,490	\$16,223
Total	\$8,249,728	\$7,879,660	\$355,467

The 2020/2021 proposed budget calls for total revenues of \$8,249,728 and total expenditures of \$7,879,660 resulting in a Net Position of \$355,467. These figures compare unfavorably, across the board, to 2019/2020 estimates, which were \$8,434,410, \$7,357,791, and \$1,076,619, respectively.

The chart below provides a visual assessment of the financial trajectory for the last two years (the 2018 fiscal year has been intentionally omitted as efforts were geared toward cleanup).



The year-over-year decline in expected total revenues may be due in part to the decision to forbear rate hikes since 2016, coupled with the inability to replace this lost revenue with new sources. Consequently, revenue changes have patterned population changes, which has also stagnated over the same timeframe. The resolution to keep rates unchanged is problematic because cumulative inflation erodes purchasing power, thus making it increasingly more difficult to maintain quality core services or to strengthen the balance sheet. The administration is exploring the possibility of developing the Industrial Park for RV rental as a potential revenue source.

The year-over-year increase in expected total expenditures is the antithesis of the revenue narrative in that suppliers have raised rates to counter the eroding effect of inflation. In such an environment, weakness in Net Position will ensue which in turn compels the town to engage in ongoing cost reduction dialogue in an effort to hold the line.

Net Position is directly impacted by changes in total revenues juxtaposed with changes in total expenditures. It is what remains of total revenues after total expenses. Net Position is critically important because it is the repository from which balance sheet growth, or decline, is derived.

All departments were successful in securing government grants to help defray the cost of acquiring capital equipment and/or making capital improvements. These grants and their explicit purposes are as follows:

- Airport: Taxiway and Parking Improvements (grant)
- Fire: Service Vehicle and Miscellaneous Gear (matching grant)
- Police: Two Patrol Vehicles (matching grant)
- Sewer: Pump at the Delta Queen Sewer Station (grant)
- Water: Rehabilitation of Well #3 (grant)

The most pressing issues in the upcoming fiscal year, per department heads, will be to marshal resources for equipment and repairs. The synopsis of each is as follows:

- Water – the CE meters currently used to read roughly 2,600 water meters will become obsolete in July 2020 and will no longer be supported by the manufacturer. The CE meters will need to be replaced with cellular-based ME meters. The cost to upgrade the software, hardware, and make the data conversion is roughly \$30,000.00.
- Sewer - the main sewer line located on Loop Road has been inoperable circa October 2019. With repair cost estimates upwards of \$64,000, the interim solution was to reroute sewer with the use of a rental pump (costing over \$4,000 per month). Although grant funds were secured to replace the rental pump, it cannot be installed until the sewer line is repaired.
- Sewer - the partial collapse of the main sewer line located on Highway 425 predates the current administration. Sewer gases over time have compromised the integrity of the concrete line, leading to the imminent collapse of the southbound lane. Repair cost estimates are around \$53,000.
- Police – additional vehicles are needed to modernize the fleet and to reduce repair and maintenance costs which leads to ongoing down time. The estimated cost per vehicle is \$25,000.

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- Police – attain and maintain full staff to better protect and serve and to curtail annual overtime costs exceeding \$25,000.
- Fire – need one used pumper truck at \$25,000; tools/appliances for pumper truck at \$10,000; and five ensemble Personal Protective Turnout at \$15,000 to improve PIAL rating.
- Street – four Stihl weed eaters are needed at a total cost of roughly \$1,300.

It's hard to believe that we are at the midpoint of the term. The travails of the first two years have undoubtedly heightened our sense of purpose and sharpened our focus. The progress made and foundation laid thus far have been instrumental in creating an atmosphere of optimism and anticipation that will fuel our momentum. As we remain steadfast in our efforts to restore financial credibility with vendors and suppliers, and trustworthiness with the community, I am reminded of the three reasons for our past successes - a supportive and engaged community that provides concise directives; a cohesive elected body (Mayor and Town Council) that codifies communal directives; and a dedicated workforce that executes these directives. Hence, I am confident that the upcoming fiscal year will be another year of improvement for our community.

Regards,

John C. "Sonny" Dumas
Mayor, Town of Winnsboro