

A budget workshop meeting of the City Commission was held on May 1, 2008 at 6:00 p.m. in the Commission Chambers at the Municipal Administration Building. The meeting was called to order by Mayor Wheeler.

COMMISSIONERS PRESENT: Jack Van Sickle; Terrye Y. Howell; Jean K. Scott; Kathy Manry; Lee A. Wheeler, III.; Mayor.

COMMISSIONERS ABSENT: None.

CITY REPRESENTATIVES PRESENT: Anthony G. Otte, City Manager; Judith H. Delmar, Asst. City Manager; Clara VanBlargan, City Clerk.

Agenda Item 1. BUDGET WORKSHOP: ORDINANCE 2008-16, FY07'08 BUDGET AMENDMENT #2 - 1ST READING

Mr. Otte asked anyone in the audience with a question to come forward and the Commission would address it so they would not have to wait until the end of the meeting.

Elbert Joyner, 307 Dorsett Avenue, a volunteer at the Albert Kirkland Gym weight-room, said he was told the weight-room would soon be closed and he wanted to know why. Mr. Otte said a recent email from the Police Chief said the weight room would remain open under the "Buddy System."

Commissioner Manry asked for the hours of operation at the gym. Mr. Otte said that the gym is open about four to five hours a day, from 3:00 p.m. to 8:00 p.m. on school days and later in the day on Saturdays and Sundays. He said that he would have someone post that information on the front door of the gym.

Mr. Joyner said that he and Mr. Blocker have been volunteers at the gym for the last six months and have been watching over everything, keeping everything in order. The weight room is all that the youths in the City have to do and he would like to keep that going.

Mr. Otte said that we would like to keep the gym open and he appreciated Mr. Joyner's help as a volunteer. Commissioner Manry said it is because of people like Mr. Joyner that we will be able to keep the gym open and thanked him on behalf of the City.

Commissioner Van Sickle said that he thought the plan was to have adult volunteers staff the gym at certain times. Mr. Otte said City staff should look into that. Ms. Delmar asked if this was something that could come under the umbrella of PAL. Mr. Otte said that PAL is going to be the future for this type of thing and that we probably need to finalize a procedure and sign-up sheet.

Mr. Otte reviewed Page 3 of the agenda memo that was distributed to the Commission before the meeting. He said that our fund balance forward at 9/30/07 was \$876,471, which is nearly \$50,000 less than the fund balance at 09/30/03. This amendment reduces excess budgeted revenues. Mr. Otte said that one of his goals is to get everyone to focus on the fact that we are far behind on our General Fund balance. The City has a \$12 million General Fund expenditure budget, and 15% would be \$1.8 million. At \$800,000, we are less than half of where we need to be. If we have an emergency, we will use the fund balance to help us get through. But, even more pressing than that, our property tax dollars do not start coming in until November and December and the big checks don't start coming in until January, February, and March. So, the beginning of the fiscal year is a dry period and we need a healthy fund balance to get us through until we receive the tax dollars. Staff needs to be focused on trying to build that fund balance.

Ms. Delmar said that Finance Director Sylvia Edwards did a revenue projection for the General

Fund about 30 days ago based on our receipts through March 31, the first half of the fiscal year, and projected a \$168,000 shortfall in revenues. Mostly our revenues come from the State, such as half-cent sales tax, state revenue sharing from transportation taxes and building permits, garbage collection fees, franchise fees etc. We were showing a \$168,000 downturn in our receipts so we have to bring our expenditure budgets down by the same amount in order to have a balanced budget. The primary purpose of this budget amendment is to do that.

Ms. Delmar reviewed the list on Page 5, Changes In Expenditure Budgets, Ordinance 2008-16. She said that this list of expenditures shows how we are reducing the budget to account for that revenue shortfall. Two of the items on the list, Police Department compensated absence accrual and Fire Department compensated absence accrual, are budgetary items that we include in order to set aside monies to pay future employees who leave and have large accrued leave balances. We have to pay that out at their current salaries, half of what they have on the books if they were hired before October 1, 1985. There is now a 200-hour cap on employees hired after October 1, 1985. We have had to pay somebody more than what they make in a year. For the ones that were hired before October 1, 1985, the hours continue to accrue.

Commissioner Manry asked how many employees hired before October 1, 1995 were still working for the City and Ms. Delmar said there are about 10 left. She said that, as discussed at the Finance Committee meeting held earlier, the expense is not recorded until we actually pay-out the leave. The liability is recorded in our long-term liability account. But, if we do record some of that accrued leave pay-out, it throws us over budget. We budget that accrual just to prevent that from happening. However, we have enough now for the next three employees who will be leaving within the next four to five years. We can afford this year to eliminate that accrual, which is one of the ways that we are going to achieve our \$168,000 expenditure reduction.

Mayor Wheeler commented that we are being very generous by paying out the accrual at the employee's current salary rate. Ms. Delmar explained that according to City policy, those employees are entitled to half of whatever they have on the books, paid out at their current hourly rate. Mr. Otte said that decision had been made by the previous City Commission in 1984 or 1985. Ms. Delmar said that the policy is not uncommon and other entities like the School Board have similar policies. The policy was established in the 1970s. When some cities made the transition from "the sky is the limit" to a cap, all leave earned after that date was subject to the cap. But, in our particular case, all the employees who were hired before October 1, 1985 were grandfathered in that system and continue to add leave to their accrual.

Mayor Wheeler said that paying out at their current hourly rate quadruples the leave time of some employees. Ms. Delmar said that in terms of dollars, that is correct.

Commissioner Howell said that before 1985, the School Board paid its employees 100% of their accrued time, but now it is less than 50%. If an employee was locked in, their time is broken down on their pay stub. She gave an example by saying that if you have 400 days accrued leave time, 200 of which were earned under the new system, your pay stub would reflect 200 at less than 50%, and 200 at 100%. Ms. Delmar said that for us to be able to do that, the Commission back in 1985 when the policy was changed, would have had to set it up that way. Most of our employees started after 1985 and have the 200-hour cap. Commissioner Manry asked what length of time we expected these 10 employees to continue to work. Ms. Delmar said that all but two of them will be gone by about 2015, but we have two or three who are planning to be here much longer. Commissioner Manry asked if we could cap it. Ms. Delmar said that we could cap it at a certain point, but anything before that point would be paid out at the current rate.

Commissioner Manry suggested getting ruling from our attorney. Ms. Delmar said that it would be a question for our labor attorney. Mayor Wheeler said especially when there would be two classes of employees, which seems hardly fair. However it turns out, he said he hoped those employees would appreciate how generous the City is. It is just none existent in private industry.

Ms. Delmar said that we reduced the budget for solid waste collection fees because there is also a corresponding decrease in our expense reduction. Commissioner Howell asked for clarification. Ms. Delmar said we are projecting a decrease in garbage collection revenues and franchise fees. But, if there is a revenue reduction there has to be a corresponding expense reduction. Commissioner Manry asked why there was a decrease projected at this point. Finance Director Sylvia Edwards said that we projected growth in new homes that is not happening yet. Ms. Delmar said that it is a straight-line projection based on what we have collected to date. We looked at the last month's collection amount and we multiplied that times six more months and added it to the first half of the year. We used that number to determine what the shortfall was going to be.

Ms. Delmar said that we were able to reduce the budget for some health insurance premiums. We had three new positions that were budgeted in the Fire Department after the Polk County expanded our service area and we were able to fund three positions from the compensation for that service area. But, it took a while to get them hired. So, in the mean time, those health premiums were not being paid over to the insurance company. We also had one previously unfilled position in the Fleet Maintenance Department so we were able to reduce the budget by those premiums. Because of the slowdown in building construction, we can reduce Building Department overtime. Because their expenditures exceeded those revenues, we felt that we had to reduce some of the expenditures to compensate for the loss in revenue.

Ms. Delmar said that we have a \$20,000 unemployment budget, which we reduced by \$3,000. We don't pay into unemployment like private companies do. But, if someone files for unemployment compensation, they bill us. We haven't spent anything in the first two quarters on our unemployment side. Ms. Delmar felt comfortable in reducing that budget by about \$3,000, leaving a \$17,000 balance for the year.

Ms. Delmar said that these expenditures are how we offset the \$168,000 revenue reduction. The remainder of the budget amendment is explained on Page 2. We have to do the same kind of adjustment in the Library Fund. Their revenue from the Polk County Library Cooperative is going to be \$5,700 below what was initially agreed upon. So, we have to reduce the budget and reduce the expenditure budget to compensate for that. Commissioner Manry asked why the revenue was reduced. Ms. Delmar said that she was not sure but maybe the County was rolling back appropriations for various functions. She explained that Tina Peak, Library Director, had sent her an email saying that we needed to reduce the budget by \$5,700 and to take it out of her book purchases.

Ms. Delmar said that we are adjusting the Utilities Fund revenue budget to reflect a \$228,000 shortfall from water and sewer service charges. But, against that, we can net the additional new revenue of \$370,360: \$358,000 coming from the Oakley Settlement and \$11,000 in insurance proceeds. Those two new revenues will offset that revenue shortfall. The remaining funds will be used to increase the budget for legal and engineering services. Commissioner Manry asked if that was the amount Oakley paid us this year and Ms. Delmar said yes with the execution of the agreement. Mayor Wheeler asked how much Oakley would be paying us next year. Ms. Delmar said that the amount would be in the area of \$37,000 to \$39,000 for the next four or five years. Mayor Wheeler asked how much the City spent in getting the settlement. Ms. Delmar said that we spent close to \$200,000 in utility engineering fees. Mr. Otte explained that the new Utilities Director Ray Creel had come to him and said that the Oakley issue was a serious problem. We discussed it with Mr. Galloway, who did not have the detailed wastewater background to help us get through it. So, we found Gerry Buhr, who recommend Gerry Hartman to look into it. Mr. Otte said that this was the starting point. He said that at that time, he had told Mr. Buhr that he wanted the penalties and fines to at least cover all our costs for engineering, legal expense, and sludge handling, and we have done that.

Ms. Delmar said that we are also transferring appropriations from surplus line items with our projected two shortfalls. These are going to be two types of transfers: transfers within

departments between operating and capital, or between operating and payroll. We can do line item transfers within departments because it can be done administratively with the City Manager's approval, but in order to transfer monies between departments, there has to be a budget amendment with Commission approval. We also have a procedure where, in order to keep a good handle on what our payroll costs are running, we require a budget amendment for transfers in a department between payroll and capital or payroll and operating. These transfers are not done administratively. So, in this particular budget amendment, we have reduced \$102,792 out of some line items and transferred it to other line items. The net effect to the entire budget amendment is zero.

Ms. Delmar said that we are also authorizing expenditure of \$645,321 in grant funds not previously authorized because they were not budgeted. The \$350,000 building renovation grant for the CSX building and the \$200,000 grant for the Rails-to-Trails extension are part of this category of budget amendment. We had \$43,000 in police and fire radios that were funded by a grant. We had some small Byrne law enforcement grants that we had to incorporate into the budget. We also had to authorize the expenditure of \$441,192 in impact fees not previously authorized, which includes the \$133,000 local match for the Rails-to-Trails extension, the \$80,000 payment to the developer for Brookshire off-site improvements, and \$85,466 for the purchase of police vehicles to be used in patrolling primarily construction sites where standard vehicles would get stuck in the sand. Commissioner Manry asked how many police vehicles were purchased for patrolling of the construction sites. Assistant Police Chief Chris Velasquez said that they purchased a 4-wheel drive truck as well as K-9 vehicles that are also 4-wheel drive. He said that they have already ordered the vehicles, but haven't received them yet.

Ms. Delmar said the budget amendment also included authorizing the expenditure of \$10,590 in donations, \$9,500 of which was donated for the curator position, and the rest was a donation by the Hunts for a park bench and plaque for the triangle at the intersection of Lincoln and Scenic.

Ms. Delmar said that we also had to record the full proceeds of the \$9.5 million CRA bond. Previously, it had been included as the revenue portion that we anticipated spending for projects during this fiscal year. We showed the revenue offset for those projects, but the entire \$9.5 million bond needed to be recorded as revenue in this fiscal year. She said this was the reason our reserve balance was increased at the end of the year, despite the fact that we reduced revenues. Though our revenues are going up because of this bond, they are reserved for construction. Commissioner Manry said that we therefore should not look at it as our reserve going up. Ms. Delmar said that when we say that our reserves went up, we have to then say it was because of restricted money to be used for a specific purpose. The money will be drawn-down as soon as those construction projects are completed. But, we have to identify that.

Ms. Delmar said that we also have to authorize the transfer to the Utilities Fund of \$300,000 in bond proceeds for the asbestos pipe removal portion of the bond. This had been budgeted for FY08'09, but we need to do the work now in conjunction with road improvements and a few other things. So, we moved it forward in the budget but had to amend our budget to do it.

Ms. Delmar said that we are also authorizing with this budget amendment the transfer of \$1,203,639 from the CRA to the Utilities Fund for the Downtown Water Main Extension Phase I project. These monies were actually set aside last year for the payment of the first year's worth of debt service on the CRA bond, but the CRA bond was not issued until this fiscal year. Therefore, those funds were not ever spent. Instead, we are using those funds to do this project. We have to spend them because they are CRA tax increment dollars. Either they go back to the taxing agency or they are spent within 24 months on a designated project. Mr. Otte commented that it is a necessary project. We have identified the downtown area as one that has restrictions from small water lines and the new owner of the Bank of America building has recently signed a lease to renovate the second and third floor. The third floor has never been finished. Ms. Delmar said that our Fire Marshal will not give approval to issue a CO unless that water system is installed. Mr. Otte said that we are looking to a Community Development Block Grant for a possible funding

source for additional water line work downtown. Ms. Delmar said that the waterlines in the downtown area were done in the 1920s.

Ms. Delmar said that there was a point that needed to be covered that was overlooked at the Finance Committee meeting and was not in the Commission agenda although she added it for the meeting. We also have to record \$300,000 in proceeds from the sale of the remaining six acres of the Cooperative Fruit property, and authorize the expenditure of \$42,300 for environmental services in relation to the remediation. Mr. Otte said that the remediation is going on right now. Mayor Wheeler asked if that was found money and Ms. Delmar said no. It was money that was put into escrow and was held back from the sale of the property. Mayor Wheeler asked if the money had been recognized as revenue and Ms. Delmar said no.

Commissioner Howell asked if there was anything else in the budget amendment that the Commission needed to know. Ms. Delmar said she had covered all the details. Commissioner Howell asked if the budget amendment contained an item that could hurt a department because we are taking away the funds. Ms. Delmar said possibly our fuel budget. We had a discussion about it because there was \$10,000 that the Police Department reduced in order to fund the network servers that needed to be upgraded. There were a number of operating line items that had been reduced for that expenditure. We questioned this when it came to us and we asked the Police Department if they were sure they wanted to decrease their fuel budget. We looked at the fuel expenditures for the prior two years, which had a significantly higher budget for fuel than we actually spent last year or the year before and considering fuel prices at the time, we felt comfortable with the reduction. The department is now implementing measures to reduce fuel consumption like bicycle patrol and foot patrol. Considering the market, we might have to come back and re-evaluate that. We will be doing one more budget amendment before the end of the year and a clean-up amendment in November. We will be watching that because it could be a potential problem. We do not want to do too much moving around at this point because we still have half a year to go, but we will be watching it carefully.

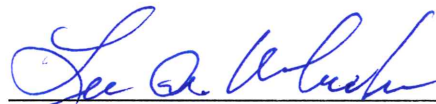
Commissioner Manry asked what caused the County payment for fire protection to go up. Ms. Delmar said that it was a combination of the expansion of the territory and because we had a good negotiator.

Mr. Otte said that, after looking closely at where we are in the budget, with the new Commissioner coming on board and with the legislative session over in a day or so, it would be good to have a budget meeting between May 20 and June 1, after the April financials are in. After the smoke clears from the legislature, we could see what next year's outlook is. Because the budget is so tight and so important, we might want to have several meetings before the August budget meetings to determine our priorities for next year and decide what we want to accomplish with very, very scarce resources. Mayor Wheeler said that we need to have a retreat off premises like at Bok Tower and not just meet in another room in this building. Ms. Delmar said that she had talked about that with Mr. Otte and they were concerned that the term "retreat" might give the impression that we have resources with which to "retreat" about. What we really need to understand is where our revenues come from, why we don't have any control over them, and how little discretionary revenue we do have. Mayor Wheeler said that he wasn't thinking of something as detailed as that. Each of us have our own budgetary priorities and our own philosophy with respect to things that need to come to the open. Commissioner Manry said she would like to discuss not just the budget but also an overview of the City. Mayor Wheeler said that the budget would be a big part of it because that is what consumes most of our time. He suggested having it open to the public and invite the press. Ms. Delmar said that she thinks that would be a great idea but before we could do that, we needed to have an understanding of what kind of resources we have available to accomplish our priorities. Commissioner Van Sickle said that we needed to look at our Strategic Plan for it lays out how the City wants to use its money, which will help us prioritize. Mr. Otte noted that the Strategic Plan is also available on our web-site.

Commissioner Manry said that it would be good if we got people to start looking at what impact Amendment 1 would have. Ms. Delmar said that we will get a preliminary idea from an estimate that we will receive in early June. Then, at the end of June, we will receive a preliminary, taxable value. We will have to deal with that during the month of July and then go through our budget process. At the end of the process, we will get a final taxable value. Part of the problem is that we won't have any idea before we get that estimate. That is just one part of the problem for all the revenues like our gas taxes, half-cent sales tax, state-shared revenues, and our communication service taxes, as there are allocated to us by the State. We don't have a clue of what that number is going to be until around mid-June when they start posting them on their web-site. We are trying to put together our budget in a context of not knowing or having a clue of what these major revenues are going to be. The only major revenue that we have locally is our garbage fee. Mayor Wheeler asked how much in gas tax revenue do we get. Ms. Delmar said between \$700,000 and \$800,000. Commissioner Van Sickle asked if we have any indication of what our property value is and how it depreciated over the last year. Ms. Edwards said that she received a property tax file a couple of weeks ago but that she has not analyzed it yet. In talking with the property appraiser's office, all the changes are not in there yet, such as the additional homestead exemptions.

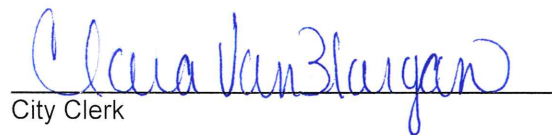
Mayor Wheeler said that if we have a retreat it should be in June because then we will have at least some idea. Ms. Delmar said that we have had a couple of retreats in the past, and the one held at Bok Tower was really good. Mr. Otte said that wherever we have it, it needs to be in an accessible place where the public could get in without having to pay a fee.

There being no further business, the meeting was adjourned.



Mayor/Commissioner

ATTEST:



City Clerk