Minutes
Of The
Special
City Council Meeting
November 4, 2003

A special meeting of the Fayetteville City Council was held on November 4, 2003 at 5:00 p.m. in Room 219 of the City Administration Building located at 113 West Mountain Street, Fayetteville, Arkansas.

PRESENT: Alderman Reynolds, Thiel, Cook, Marr, Rhoads, Davis, Lucas, Jordan, Mayor Coody, City Attorney Kit Williams, City Clerk Sondra Smith, Staff, Press, and Audience.

Mayor Coody called the meeting to order.

CONSENT:

OLD BUSINESS:

2003 Millage Levy: An ordinance levying a tax on the real and personal property within the City of Fayetteville, Arkansas, for the year 2003 fixing the rate thereof at 0.4 mils for the Firemen's Pension and Relief Fund, 0.4 mils for the Policemen's Pension and Relief Fund, 1.0 mil for the Fayetteville City library; and 1.0 mil for General Purposes and Operations of the City; and certifying the same to the County Clerk of Washington County, Arkansas ***This Ordinance was left on the first at the October 7, 2003 City Council meeting.***

This Ordinance was tabled to a Special City Council Meeting on November 12, 2003 at the October 21, 2003 City Council meeting.

Alderman Jordan moved to remove the 2003 Millage Levy from the table. Alderman Davis seconded. Upon roll call the motion passed unanimously.

Steve Davis: The Firemen's and Policemen's Pension millage and the Library millage were voter approved millages and the city has to levy them so that those institutions can continue to collect them.

Mayor Coody: The one mil for the library is not new; the Fayetteville residents have been paying that for a while.

Steve Davis: That is correct, it was a County library millage and the Arkansas constitution provides that you can have a city library mil or a county mil but you can't have both. The mil for general operations will produce about $650,000 in revenue. The proposed general fund for 2004

shows a deficit of $310,000 to $311,000 which includes $655,000 of revenue from a mil, without the mil we would be looking at a deficit of close to a million dollars.

Mayor Coody: That doesn't mean we are going into debt, we do not have to borrow this, this just comes out of our reserves.

Steve Davis: Last year City Council passed a general fund minimum fund balance reserve that is equal to 60 days expenditures in general fund of the last audited financial statement. That number for 2004 is approximately $3.4 million that we must keep in reserves. I believe our general fund reserves will be approximately $6 million at the end of 2004, unless this millage is not approved, then it will be $5.4 million.

Mayor Coody: So we would have $5.4 million but our minimum that we want to keep is basically $3.4 million.

Alderman Marr: Why would we have a property tax when our reserve is still over the $3.4 million required?

Steve Davis: In years past, staff has been tasked with bringing the budget expenditures in very close to budgeted revenues. From staff's prospective there is some concern that we could not find a million dollars worth of expenses to reduce general fund expenditures to make those two numbers match closer. If City Council wishes to steepen the decline in our reserves to get to our desired level quicker, then we don't have to do a millage increase nor do we have to do a franchise increase.

Mayor Coody: Even if we approve the millage or the franchise fee, we still are going to be dipping into our reserve by approximately $300,000. We would like our reserve to shrink slowly because we know our expenses are going to continue to climb. If we have too steep of a decline, it will be harder to fix later on.

Steve Davis: It would appear as a more dramatic fix when we come in and balance more of our revenues to make sure we are at our minimum fund balance level.

Alderman Thiel: My concern is that we really have not had an opportunity to look at the budget yet. The millage issue we do need to decide that tonight, the franchise issue we could deal with that at any time. We would start receiving the money faster from a franchise increase. This increase of roughly $700,000 is for staffing and operation of the new fire station is that correct?

Steve Davis: The new fire station is going to cost $640,000 to staff; a mil brings in $655,000.

Alderman Thiel: The budget has more new staffing in addition to the fire station.

Steve Davis: That is correct. The total budget has 18.5 new positions requested, 12 of these are fire fighters. The other positions are two dispatchers, one police officer, one landscape maintenance worker, one operations supervisor for water and sewer, one mechanic for fleet and a

half time clerk for the business office. Overtime will be used to cover a portion of these positions.

Alderman Reynolds: What month is the new fire station scheduled to come on line?

Steve Davis: Sometime in the third quarter.

Alderman Marr: Last year we looked at the cities around us and where our gap was, where we don't, as a city finance in comparison to pier cities in the area, was property tax. I personally don't support franchise fees because I think we are already equivalent to most cities and I think it has a bigger impact on lower income individuals, than property tax. The calls that I have received from residents of my ward think we should be looking at property taxes rather than franchise fees.

Steve Davis explained the proposed budget and the proposed revenue projections.

Steve Davis: If it is the City Council's desire that we move more rapidly to our minimum fund balance then we don't have to do the millage or the franchise fee increase for general fund. Both of those are available tools to diversify the city's revenue stream to get us away from the fluctuation of the sales tax driven market place. That is where a lot of our uncertainties are coming from.

Alderman Marr: I love the idea of a more diversified revenue stream. I am trying to determine how we get to it and when we phase to it.

Steve Davis: The minimum fund balance, I am going off of memory, so I would need to calculate that number, since this came from budget I am comfortable that the $4.1 million is accurate.
Without millage or franchise fees I still think we will be above that number if you approve the 2004 budget as it currently stands.

Alderman Marr: The 50% wage study recommendation is that in this number you are giving us and the non-profit funding levels, are they in at the level that you have given us?

Steve Davis: Yes.

Alderman Marr: Is there any major item that you excluded or left out of that, that you expect someone to ask to be put back in?

Steve Davis: No.

Alderman Rhoads: The reserve that is mandated is based on the trailing year's numbers.

Steve Davis: Yes.

Alderman Rhoads: So it is not always $4.1 million?

Steve Davis: No.

Alderman Rhoads: If we don't approve this millage and want to do it next year, when would the city actually receive the money?

Steve Davis: You would receive the money the next year around November.

Alderman Rhoads: The franchise, we could decide that at any time and how long does that take to receive.

Steve Davis: The ordinance has to run 30 days and then the utilities have said it takes 60 to 90 days before we would receive any proceeds.

Mayor Coody: Our income from franchise fees, property taxes and sales tax are lower than sister cities. I think we provide more services and better quality services for less money than other cities. There comes a point where your budget and personnel have to grow along with it, we've squeezed about as much efficiency out of the number of people we have working as we can.

Steve Davis: Some of the cities charge lump sum numbers to there utilities, so it is impossible for us to calculate a percentage off of that.

Alderman Thiel: The budget does not reflect the $4.5 million from the Collins Haynes sale. That is not necessarily operational money, but doesn't that some how change the balance.

Steve Davis: The money from the sale will flow into the general fund and increase the reserve account. City Council and the Mayor are going to have to decide how those proceeds will be spent.

Alderman Marr: That money from the sale will go into the general fund?

Steve Davis: Yes.

Alderman Marr: Those funds could go to general fund operations.

Steve Davis: They can be used for any lawful purpose.

Mayor Coody: However this is a one shot lump sum of money that we need to be very careful how we spend to make sure we get a hundred years of good use from it.

Alderman Marr: I don't think any of us are saying that we are not going to be careful, but we are talking about bringing a reserve down that is going to have some money added to it from that sale price.

Alderman Thiel: This money does show as part of our reserves.

Alderman Marr: We have new information from the first time this was done, was there any consideration given to changing the recommendation to a half of a mil or no mil?

Steve Davis: We have not had time to reflect on that, we received the information from the County late. We did not feel like we had time to look at very many options.

Alderman Cook: My problem with this millage is dropping it into the general fund; if we want to say that is for the fire station then we need to dedicate it for the fire station.

Steve Davis: The money would go to fund general fund operations because it is a discretionary mil; it is recommended that we not dedicate any discretionary millages or any general revenue because it creates considerable future tracking problems.

Alderman Rhoads: We really don't need the money, but we are being asked to pass it just in case we do, but based on projections we don't think we will need it this year.

Steve Davis: That is accurate. We need to pass the millage for the library and the millage for the two retirement funds.

Alderman Davis moved to amend the ordinance and remove the one mil for general purpose and operation. Alderman Marr seconded. Upon roll call the amendment passed unanimously.

Alderman Davis moved to suspend the rules and go to the second reading. Alderman Marr seconded. Upon roll call the motion passed unanimously.

Kit Williams read the ordinance.

Mayor Coody: We are trying to look to the future; we have some cushion that will continue to be used as effectively as possible. Staff wants to make sure that the budget is in good shape for many years to come, I appreciate their hard work. We are getting so much more work done with the same number of dollars and the same number of people, I am really impressed with everyone's work, I am thrilled with the increased productivity we have seen out of our staff.

Alderman Jordan: I just want to make sure the money is there to staff the fire station?

Steve Davis: Yes.

Fire Chief Bosch: We are proposing a phased in approach in hiring for the fire station. We realize we won't be opening the doors until early in the third quarter, so what we are proposing is that we hire four fire fighters in January, funded through our overtime budget. Those positions will off set vacation and sick leave. We will hire four more in the second quarter and four in the third quarter. We will open the station in the third quarter. The overtime savings that we will see based on the additional personnel and the reduction in salaries will fund those positions. We will have to look at the budget for 2005 to ensure salaries for those folks.

Alderman Marr: When will the station be open?

Fire Chief Bosch: Late September, early October.

Mayor Coody: What affect will this decision tonight have on future budgets, spending and revenue?

Steve Davis: The discretionary millage is an annual renewable millage ordinance so every future City Council will have the opportunity to levy millage to fund general government operations. It is not a locked in set in stone decision once you make it.

Alderman Davis moved to suspend the rules and go to the third and final reading. Alderman Marr seconded. Upon roll call the motion passed unanimously.

Kit Williams read the ordinance.

Mayor Coody asked shall the ordinance pass. Upon roll call the ordinance passed unanimously.

Ordinance 4525 As Recorded In The Office Of The City Clerk

NEW BUSINESS:

Franchise Fees: An ordinance increasing franchise fees for electricity, natural gas and solid waste.

Alderman Jordan moved to table the franchise fees indefinitely. Alderman Marr seconded. Upon roll call the motion passed unanimously.

Meeting adjourned at 5:45 PM

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Sondra Smith
City Clerk