Mayor Dan Coody

City Attorney Kit Williams

City Clerk Sondra Smith

Fayetteville
ARKANSAS

Aldermen

Ward 1 Position 1 – Adella Gray
Ward 1 Position 2 – Brenda Thiel
Ward 2 Position 1 – Kyle B. Cook
Ward 2 Position 2 – Nancy Allen
Ward 3 Position 1 – Robert K. Rhoads
Ward 3 Position 2 – Robert Ferrell
Ward 4 Position 1 – Shirley Lucas
Ward 4 Position 2 – Lioneld Jordan

City of Fayetteville Arkansas
Special City Council Meeting Minutes
October 28, 2008

A special meeting of the Fayetteville City Council was held on October 28, 2008 at 5:30 PM in Room 219 of the City Administration Building located at 113 West Mountain Street, Fayetteville, Arkansas.

Mayor Coody called the meeting to order.

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

ABSENT: Alderman Gray

Pledge of Allegiance

Unfinished Business

2008 Millage Levy: An ordinance levying a tax on the real and personal property within the City of Fayetteville, Arkansas for the year 2008 fixing the rate thereof at 1.3 mills for General Fund Operations, 0.4 mills for the Firemen's Pension and Relief Fund, 0.4 mills for the Policemen's Pension and Relief Fund and 1.0 mill for the Fayetteville Public Library; and certifying the same to the County Clerk of Washington County, Arkansas. ***This ordinance was approved at the September 16, 2008 City Council meeting. A motion was made and passed to reconsider the ordinance at the October 7, 2008 City Council meeting. This ordinance was left on the Third Reading at the October 7, 2008 City Council meeting and tabled to the October 21, 2008 City Council meeting. This ordinance was left on the Third Reading at the October 21, 2008 City Council meeting and tabled to a Special City Council meeting on October 28, 2008.***

Mayor Coody: Our deadline is pretty quick.

Paul Becker, Finance Director: The General Fund budget is $35.9 million. When we look at estimated revenues versus the projected expenditures we are short $535,400 at this point in time. The administrations recommendation was to use reserves however we are going to discuss that in

the future. Right now we are talking about what the Millage amount should be. The recommendation by the administration is to keep the Millage amount at 3.1 mills which is consistent with what it was last year. We discussed this at our last budget discussion and there were some options talked about and issues relating to Millage. That is where we are, whether or not to keep the Millage as recommended, which is 3.1 for the City, or adjust that, or amend it.

Mayor Coody: Regarding the resolution the City Council presented to present a balanced budget, I appreciate that. I hate that it was perceived that I was being obstinate by not doing that but we really did go through and made cuts the last couple of years. This year we made as many cuts as we possibly could. We got to the point we could not cut without laying people off or raising taxes. Neither one of those scenarios seemed the best way to do business. When we presented this budget and we had around a $500,000 dip into reserves it was not to be obtuse, it was because we really didn't feel like we had much of a choice. If we could have made further cuts without laying people off and cutting services or raising taxes that is exactly what we would have done. I just want folks to understand we were not trying to be hard headed or anything.

Alderman Allen: Can I ask one question about that because I was not clear when we passed that resolution, I do not know the peaking order. Who is in charge of making that decision? If we mandate you to do that then you can trump our mandate? I just didn't understand that very well.

Mayor Coody: The resolution was a request from the City Council for us to present a balanced budget and we did the best we could. We could not meet that entire request. We met that request as closely as we could. One thing that I think people do not understand is that we are two branches of government, the legislative branch, which the Council is, and the Executive Branch, which I am and the staff works for us. I am elected by all the citizens of Fayetteville, Arkansas, not by ward so essentially I answer to the entire citizenry of Fayetteville just as much as trying to work with the City Council. My job is to present the best budget that we can from our perspective for the City of Fayetteville and take it to the Council and the Council's job is to take that draft budget and manipulate it, change it, amend it, or approve it and then give it back to us. Once that budget is approved then that is the budget that we work within. The branches of government mean I work for the citizens of Fayetteville so that is who I was working on behalf of.

Alderman Cook: My proposal is to add another half mill to our current discretionary Millage. The reason why I am proposing that stems from last years budget discussion. Last year we had a shortage and a 0.9 increase was presented, there were several citizen comments that they did not feel the budget had been thinned enough and they thought there were cuts that could be made. That is what we did. I voted against the Millage because I thought we could make the cuts and balance it and I believed at that time, I thought sales tax would come back. This year sales tax has come back but based on the preliminary submittal of the budget we are looking at being $535,000 short. I said last year that if we run into this again I will support a Millage and that is where I am at now. I am supporting a half mill increase because to make cuts now people really will see cuts in services and potential layoffs. I know we are going to make some adjustments to the budget that we talked about at the budget session but even then we are cutting into the capital expending some. That is not a good consistent way to go because I hate cutting into our capital funds. Last year I caught a lot of grief for not supporting the Millage because people thought that they would see a reduction in services. That is where I am at this year. I really think we will see that reduction. I am proposing this half mill increase to cover what we currently are showing

as a shortage. I am not tying it with any other discussion right now as far as employee compensation and any of those other items, those are future discussions. All I am asking is that we relook at this and consider a half mill increase.

Mayor Coody: To cover the $500,000.

Alderman Cook: Yes sir.

Alderman Thiel: Paul, you gave us at a previous meeting the monthly report of the sales tax revenue and we have an increase of how much?

Paul Becker: $504,000 over budget at this point in time. A portion of that roughly $237,000 is going to General Fund Operations which that is what we are talking about now. The balance will be going to the sales tax capital fund.

Alderman Thiel: I guess what I am referring to is can we use that $237,000 that is in the General Fund towards our next year's budget?

Paul Becker: The answer is yes but let me try to explain the mechanism. We go through and look at all of the revenue, remember I told you before that we would probably get less and a matter of fact we will get almost $200,000 less in interest income. There will be some ups and downs in other areas of the revenue budget. Whatever happens that amount will go to reserves. We should have some dollars going to reserves. To do that and use it for next years budget, what we would do is take it out of reserves. If we get more revenue than expenditures, which I believe we will, that will go into our reserves.

Alderman Thiel: So that is how we get our reserves?

Paul Becker: That is correct.

Alderman Thiel: So in a way it's a way of us funding years like this whenever things are tough and we have a certain amount of the fund balance or the $2.4 million that we can use for discretionary funding which is what we are looking at right now. Plus we really haven't finished the budget discussion, I know we haven't whittled very much but we have a little. I don't know if we can cut much more but we found a few little things.

Mayor Coody: One more thing I want to add is that the farther we go toward the end of the year it is easier to get the final numbers and a more clear picture of what the rest of the year is going to look like. The farther ahead we try to look down the road the more broad the range of possibilities are with our numbers. The closer you are to the end of your budget cycle the more clear the budget picture looks. When Paul gives us numbers they might be subject to change a little bit just because with new information coming in makes it clearer toward the end of the cycle. I just want to make that clear.

Paul Becker: They change all the time. That is our best projection now. We talked about the General Fund and the Sales Tax Capital Fund and those are the basic funds that we need to look at to balance. Almost all of the other funds are restricted. The enterprise funds have to be used on those particular services because they are financed by rates which are generated for that. We have special revenue funds which are in fact restricted to use. For example the street fund must

be used on street programs. The options that we have looked at are the options for the General Fund situation at this point in time. I will be coming forward with the entire budget in November which is our normal time table.

Alderman Allen: I have a question for Kyle. I was wondering whether or not your half mill property tax request would be going in the General Fund or cost of living.

Alderman Cook: It would be General Fund. I think any potential salary increases is another discussion once we get into the budget. I know we talked about that some at the last meeting. I am in favor of trying to help the employees out wherever we can but I think that is a discussion we will have. I look forward to that discussion but right now my only comment is half a mill increase to cover what we are currently looking at that has been submitted so far.

Alderman Allen: So this would really make it a wash as to what would have happened had we been presented a balanced budget.

Mayor Coody: The only way to have presented a balanced budget would be to recommend a half mill increase and that is what Kyle is doing. With this half mill increase that does make it a balanced budget proposal.

Alderman Allen: The way he has done it, maybe it could have been done another way.

Alderman Cook: I don't like Millage any more than anyone else does. I have to pay it too but in the long run we only have two pots to pull from. One is Millage and one is our reserves. While I don't like pulling from either one of them because that is not a sustainable way to fund the City I think we are in the position right now where we are going to need some back up. This is not going to last forever but as we continue to look at economic development I really hinge a lot on moving forward. The outlook for the City is good but right now times are tough on people too. The City offers a lot of services and the employees do an awesome job of keeping the people happy and I think right now I don't want to make any more cuts based on what we did last year.

Alderman Allen: Nor do I. I guess I was just thinking when we talk about working together with the City, University, the schools, and the whole entity that we know that a school Millage is coming up too. That is something to consider.

Alderman Thiel: I am going to have a hard time dealing with this because I did support it last year because times weren't like they are now. I hear from people that can't sell anything and they are stuck. People are retired and some are forced to sell. They are having to sell stocks at a reduced price and it is just killing them. What message are we going to send to the public, that we are willing to raise Millage, even though half a mill is not a terribly large amount? It depends on the value of your property or your house but I just don't know in these economic times whether that is a good message to send out. I recognize that we are dipping into our reserves but I think we will whittle that down some. Obviously with the revenue we have received, it looks like if the sales tax increase we are seeing goes back into the reserves, it is going to balance out next year. I would like to hear from everybody before I make a decision.

Alderman Jordan: I am going to go back to the sale of the Tyson building. We have workers that have not had a cost of living in two years and that is a concern of mine. I know the times are

tough right now but my thoughts are if the Tyson building is sold for $2 million we could put that in reserves. Then instead of adding a cost of living raise back to the workers we could take $600,000 of that money and do a one time stimulus check for the workers. That way they would get some money and the rest would stay in reserves. That puts the building back on the tax row of the City. On the stimulus checks workers that make less than $70,000 per year would be given a stimulus check for this year. That is a discussion for another time. Right now we are discussing Millage. I have concerns about County collections being down 90% to 80% that is a 10% cut. That means people are probably losing their homes right now. I am just kicking ideas around about what to do. It is difficult for me to support a Millage when it's not being put into cost of living raises for the workers. So that is my position on all of that.

Alderman Ferrell: With respect to the Millage ordinance, adding a half a mill doesn't balance the budget, the City is still going to be spending $535,000 more than what a balanced budget would have been. I did not catch any grief about voting down the Millage last year to the contrary. Citizens were very happy that taxes didn't go up and they were very vocal about it. I know that we have to support our infrastructure and we have to support our employees but besides the economy we have our schools that are going to be looking at revenue. There are a lot of things that are going to be going on that we have to take into consideration.

Mayor Coody: Actually I think that if the half mill that Kyle is introducing is approved that it would balance the budget.

Alderman Ferrell: With all do respect if the budget were $535,000 less we would not need the half a mill.

Mayor Coody: That is exactly right.

Alderman Cook: So is that an amendment to what is on the table now?

City Attorney Kit Williams: Yes you would just move to amend the ordinance to adjust the General Fund operation Millage.

Alderman Cook moved to amend the ordinance to adjust the General Fund operation Millage. The motion died due to a lack of second.

Mayor Coody: Okay there was no second so we are going to keep the Millage as it is.

Alderman Cook: So I guess we have to pass that right?

Alderman Thiel: Yes.

City Attorney Kit Williams read the ordinance.

Alderman Cook moved to approve the current Millage. Alderman Thiel seconded the motion.

City Attorney Kit Williams: This ordinance has been read all three times previously and it was brought back as a motion to reconsider and it is now for your final decision.

Alderman Allen: I remember last year you said nobody was going to want to pass the Millage this year because it was an election year and nobody ever wants to pass a Millage. I do feel that I could speak for everybody that it has nothing to do with an election year. We couldn't have projected what was going to happen in recent months and we are going to try to come up with some ways to get a cost of living raise for the people that deeply deserve it. We are just starting this process and we are going to work hard to do that for our employees who deeply deserve it.

Mayor Coody: I think the comment was made that if we were able to raise taxes and the economy tanked, if you could've projected where we are today, you would be worth your weight in gold.

Alderman Thiel: Because you would have bought gold.

Mayor Coody: I appreciate the Council and Kyle I appreciate your position on this. It is good for you to bring this forward to discuss it.

Alderman Cook: I knew it was going to go down.

Mayor Coody: I appreciate the Council wanting to hold tight on this because there is a lot of pain out there. Brenda you are exactly right, in our lifetimes we haven't seen pain like this and people who have worked all their lives who are retired now, all the sudden they are seeing bleak circumstances. To go up on taxes right now would be a real slap in the face and we are all in this together. All of us are having this kind of pain so since we are all in this together I am glad we are all sticking on the same page.

Mayor Coody asked shall the ordinance pass. Upon roll call the ordinance passed 7-0. Alderman Gray was absent.

Ordinance 5189 as Recorded in the office of the City Clerk

Adjournment: 6:05 PM

Dan Coody

Dan Coody, Mayor

Sondra E Smith

Sondra E. Smith, City Clerk/Treasurer