

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

Mayor Dan Coody

City Attorney Kit Williams

City Clerk Sondra Smith



**City of Fayetteville Arkansas
Special City Council Meeting Minutes
October 30, 2007**

A special meeting of the Fayetteville City Council was held on October 30, 2007 at 5:30 PM in Room 326 of the City Administration Building located at 113 West Mountain Street, Fayetteville, Arkansas.

Mayor Coody called the meeting to order.

PRESENT: Alderman Gray, Thiel, Cook, Allen, Rhoads, Ferrell, Jordan, Lucas, Assistance City Attorney David Whitaker, City Clerk Sondra Smith, Staff, Press, and Audience.

CONSENT: There was no Consent Items

UNFINISHED BUSINESS:

2007 Millage Levy: An ordinance levying a tax on the real and personal property within the City of Fayetteville, Arkansas for the year 2007 fixing the rate thereof at 2.2 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 left on the First Reading at the October 2, 2007 City Council meeting. This ordinance was left on the Second Reading at the October 16, 2007 City Council meeting.***

Mayor Coody: We have one item on the agenda this evening which is the Millage discussion. We need to decide this before tomorrow evening.

Paul Becker, Finance and Internal Services Director: It is the recommendation of Administration to increase the Millage by .9 Mills which would generate \$995,000. The second part would be to modify the capital program by changing the City of Fayetteville's one cent sales tax that goes between operations and capital to somewhere in the neighborhood of a 60/40 split. The combination of those two would fund the budget that has been presented which is \$35.5 million.

First let's talk about the impact of the .9 Millage increase. In relation to other cities of our size or in the surrounding area this would bring us up to a 4.0 total Millage which is still under Rogers, Bentonville, Springdale, Fort Smith and Little Rock. This would still put us under the area. There was an article in the newspaper Saturday that said this would bring our operating Millage to the largest in Norwest Arkansas and that is not true, I take variance with that statement. When we use as a guide a \$150,000 appraised value home that would equate to \$27.00 per year to the tax payer.

Mayor Coody: The appraised value is the County appraised value that does not mean fair market value. Very often the appraised value at the County is lower than fair market value. The County is trying to get to where that would be an accurate statement. They are going on sales of homes, so that if I were to sell my home they would tax at the sale rate but until I sell it they appraise it below market. We have to consider that in the numbers.

Alderman Thiel: Do the people that are over 65 and disabled get a discount?

Paul Becker: Over 65 is frozen.

Alderman Lucas: The assessed value is frozen.

Paul Becker: The assessed value, yes.

Alderman Thiel: I believe there is a homestead exemption for both disabled and over 65.

Paul Becker: If I understand correctly that is \$350.

Mayor Coody: That is for everyone.

Alderman Ferrell: The group that the County contracted with to do the reappraisal, there are a lot of people that are saying that in the current conditions their house is worth less than what they were appraised at, this group is staying here for a while to listen to these requests because the properties are actually worth less than what the County is saying they are appraised at.

Paul Becker gave the Council an update on the ten year sales tax trend and how it relates between actual and budget. He stated from 1997 up to 2006 the actual sales tax collected was above the proposal. In 2006 we saw a decline or a failure to keep up with the estimated amount. The sales tax has continued to decline. Next year based on an estimated growth of 2% we still would not get back to where we were in 2006. We would be running the government on the sales tax collection that we experienced in 2006.

Alderman Jordan: You are basically saying the sales tax is not coming back?

Paul Becker: I am saying it will come back higher than it is this year.

Alderman Jordan: But in line with what we received in 2006.

Paul Becker: Yes that is correct. I think future times will increase but for next year I do not believe it will be higher than it was in 2006.

Mayor Coody: We aren't even sure that future trends are going to increase because the retail development in Rogers is not through yet. I don't think the problem is over yet by any means. Paul is projecting a 2% increase for 2008 and we are having a 2.4% drop that means starting January 1 we are going to have to see a 4.4% increase consistently throughout 2008.

Paul Becker: 2% based on what collections were projected to be this year at this point in time. We are losing the County turn back. The projection would show that will be less than 2006.

Alderman Jordan: Regarding the County turn back, if they figure their budget on zero percent growth, does that affect our turn back?

Paul Becker: No. It depends on what the actual is. They are projecting they are not going to get any growth.

Alderman Jordan: If they do get growth that would not affect it?

Paul Becker: That is correct. We get the percentage either way. A 2% I thought was a reasonable amount for inflation because it is based on this year. We have some other things that are going to help us next year, streamline sales tax, which is a guess on how that is going to affect us, there is a chance that may affect us positively.

We talked about other options to Millage which where the split of the one penny that comes to the City that is divided between our capital and our operations. One thing we talked about at length is the impact of a hiring freeze. I want everybody to understand that when we talk about a hiring freeze we are not talking about freezing new positions, this is no replacement for an existing position for a period of time. The hiring freeze could be used to achieve expense savings but it does have some pitfalls in regards to financing a budget. I think it is a mechanism that could result in some expense savings but for a budget it is very dangerous for a couple of reasons.

I estimated \$1.5 million, this is an estimate based on 2007 numbers. There is no guarantee that the turnover in 2008 is going to be the same as it was in 2007 or that it will play out the same way. The number is based on the full yearly value of the position. In other words what would be a one year savings if they were not replaced for an entire year irrespective of when the individual left.

Alderman Rhoads: So this \$1.5 is if you replace no one that turned over?

Paul Becker: If we replace no one in turnover and essentially they all turned over at the first of the year.

Alderman Rhoads: First of the year?

Paul Becker: Yes. The other issue I would like to point out is that the budget is currently predicated on a 2% turnover allowance. That was something that was reflected in the budget before I got here. I think it is reasonable that we can count on a 2% turnover. If the 2007 trends stay the same a position has to be open for almost 90 days before any savings at all are achieved because I have to make up that amount first. Based on the information, the potential savings would be the following, if we equate this to quarters. Positions unfilled for three months might save \$56,000, positions unfilled for six months might save \$433,000, positions unfilled for nine months might save \$809,000 and if we went for an entire year the maximum would be \$1.1 million.

Mayor Coody: That still predicates on everybody leaving at the first of the year, is that right?

Paul Becker: If they leave at the first of the year and it will have to continue until 2009.

Alderman Ferrell: Position unfilled for 12 months might save \$1.1 million right?

Paul Becker: Right.

Alderman Ferrell: If positions are filled the cost will be greater is that correct?

Paul Becker: The cost will be greater to the City is that what you mean?

Alderman Ferrell: Yes.

Paul Becker: That is correct.

The next slide shows how much public safety is in that number. Public safety is fire and police and it is 63% of the turnover or the open positions that were in fact in that category. If we consider doing this and exclude public safety the savings potential would be seriously reduced. I don't think for any meaningful savings you can exclude public safety.

Alderman Thiel: The maximum if we excluded public safety and that is if the position was vacated for 12 months would be \$438,000. We have already stated that it would be very unlikely that this occur for the full 12 month period.

Paul Becker: That would be the absolute maximum. I also wanted to point out that this approach is very difficult for supervisors to manage because they have no control over who leaves or what positions in fact will turnover. This causes scheduling problems, training problems and a host of problems. Philosophy is it reasonable to expect that the departments can

go for over six months without filling a position. Six months would be difficult, nine and twelve months I think would be extremely difficult to do this.

Alderman Rhoads: As long as we are talking philosophical Paul, I am not sure I necessarily agree with that because private business has to do that all the time. It is amazing what you can figure out that you can do without if you have to do without.

Alderman Jordan: I agree with you Alderman Rhoads. I was under a hiring freeze for at least four years at the University of Arkansas. We managed because we had to.

Paul Becker: It has been used in industry affectively but in industry you have the options of cutting production lines or areas where sales are down which would equate to some type of reduction to us in what we deliver to the citizens.

Alderman Lucas: I question that too because I have worked at the hospital and we have had hiring freezes and we have not cut services. We worked a little harder.

Paul Becker: Would it be fair to say you would have to cut something that was done before and it would not be done?

Alderman Lucas: Not necessarily.

Paul Becker: What I am trying to say is it depends on what turnover is and it depends on how long it is. This is a very rough estimate.

Alderman Ferrell: Hypothetical, this is the same dilemma that any city might have to face if they have a budget short fall.

Paul Becker: That's correct. Some of the other concerns are the method for replacement of small positions or positions with a critical need would have to be in place. We discussed that the City Council could approve the filling of those positions when those positions come up. Any approval prior to whatever the target date is for replacement would result in fewer saving. Some system would have to be in place to determine how long the freeze is if someone is judged a critical need or needs to be replaced immediately. Unless the freeze is permanent which is a reduction in the work force it is still a temporary solution. The freeze would end at some point. Operational difficulties associated with the budget are not factored in the budget, if a hiring freeze is in fact administrated the easiest way to factor it in the budget is to show it as a short fall, show it coming out of reserves and then as it plays about you will see exactly how that affects the total. I think these are some of the ramifications and considerations that we should really look at if this path is pursued.

Alderman Lucas: You said this is a temporary solution but you have predicted an increase next year in revenue. We hope this is a temporary solution if we choose to do this because of your projections.

Paul Becker: Next year I did project an increase, that's correct.

Alderman Jordan: We can do a budget review in March and we will know relatively early in the year.

Paul Becker: We could revisit this in March. Streamline sales tax will be coming into affect next year. It is going to begin January 1. We are going to have to be prepared to look at exactly what happens to sales tax and look for a pattern. We might see a spike early and we might see reductions later because there is a provision for refunding for business purposes. We do not know the impact of internet sales and how much we might receive from that. We can look at the impact. Projects are going to be difficult, more than they have been in the past.

Alderman Gray: Paul can you explain what streamline means?

Paul Becker: Streamline is the cap is going to be removed except on certain items. That should be beneficial. Internet sales are projected to be recouped. The other side of that is it is going to change the remittance of the sales tax from the point of sale to a point of delivery. We don't know exactly how that is going to play out. I think we will do okay and it will be pretty neutral in Fayetteville.

We talked about a balanced budget and budget reductions. The major department heads have outlined what the results of departmental cuts would be. To be successful in the long run these cuts would have to be permanent. It would affect some programs. Some programs would have to be reduced or cut.

Another option is we could use cash reserves. At the end of the year I project the reserve to be \$7.8 million this is after this years decline. The City policy requires a minimum of \$5.3 million which leaves \$2.5 million of available reserves if in fact we wanted to use those funds. That is a short term solution.

Alderman Jordan: How much was in reserves at the first of the year?

Paul Becker: \$9.4 million.

We talked about compensation and the recommended compensation that was in the original proposal and that was \$436,584. There was discussion in last year's compensation plan about evaluating a COLA. The recommended COLA was 3.8% and that would equate to about \$960,000 to the General Fund. We did not include that in our current recommendation.

We could have a wait and see attitude but I would like to point out that \$1 million in sales tax revenue requires gross sales of \$100,000,000. During the period of time of the short fall we would have to use fund balance to accommodate.

Some of the measures we have already tried to take is we have tried to hold increases to an absolute minimum. The 2008 budget has a total increase of \$41,896 for non-personnel expenses. The larger increase is in personnel items which includes workers compensation increases, medical insurance increase, etc. This includes the supply and contractual services associated

with opening up the new fire station. We tried to keep those expenses under control as much as possible.

Mayor Coody: We heard from the insurance folks and they said we can plan on about a \$250,000 increase in premiums in the next cycle. Is that factored into this budget at all?

Paul Becker: It is not factored in. What is factored in is this year's rate which is roughly a 10% increase.

Alderman Ferrell: You included new sources of revenue to get to the \$41,896?

Paul Becker: Yes I did. The recommendation is to increase the Millage by .9 Mills and modify the capital program split.

Alderman Allen: Could you tell me when you were aware that there was a short fall.

Paul Becker: When the budget papers came in and we put them together.

Mayor Coody: We have known that our income has been dropping for the past ten months.

Paul Becker: That is correct.

Alderman Allen: I presume the Mayor knew it as soon as you did.

Mayor Coody: Sure.

Alderman Allen: How frequently is that monitored?

Paul Becker: The expenditure and revenue situation is monitored all through the year, on a monthly basis.

Mayor Coody: Every month we get a report on the revenue. For the last ten months we have told the City Council exactly what has been going on.

Paul Becker: I have come forward with reports on what the revenue situation was.

Alderman Allen: Maybe the Council could work on this quarterly and then we would not find ourselves behind.

Paul Becker: There still has to come a point in time where you start coming to hard numbers and the farther away you forecast the more difficult it is. Sooner or later you have to have hard numbers.

Alderman Allen: It certainly makes it hard to make a decision about where to cut in a budget that you have never seen.

Paul Becker: I distributed information about what the budgets were comparatively within departments and categories of expenses within them.

Mayor Coody: One of the differences between we as individuals and a city organization is that we that draw a pay check or have retirement pretty much have a steady regular income and we know what our income is and can calculate what the next several months of income is. The City has to rely on all kinds of variations that affect our income that we can't control. For every city that relies on sales tax it is not predictable. You have to look month by month to see how well you are doing and every month is different. We don't know what to expect until the trends show up. When the first numbers started coming in that showed we were dropping we thought if this lasts more than three months it will look like a trend, we did not know if it was going to go back up. Obviously it has continued to decline. We do not have that long term knowledge of what our income stream is going to be. That is one of the draw backs and problems with government.

Paul Becker: This is a very different pattern.

Alderman Rhoads: Nine tenths of a Mill on a \$150,000 property is how much per year?

Paul Becker: Around \$20.

Alderman Ferrell: I think \$150,000 for a home is the exception for the cost in Fayetteville as opposed to the rule.

Mayor Coody: I think the confusion is that is the County's appraisal. There may be some houses that are over appraised for what they are worth but I would bet by in large that most of the houses appraised by the County are under market value.

Alderman Thiel: Your point about there only being a few \$150,000 houses that is for sale. There are plenty of houses out there that are valued at \$150,000 or less. They are not for sale necessarily. There is a low market of houses available for that price.

Alderman Gray: This does not affect anyone over the age of 65 or disabled if they are a property owner and claimed the freezing benefit they will not be affected. I think that is a very important point. A lot of times when we look at raising expenditures and living costs on individuals we are thinking about two groups, the older group that has a fixed income and the low income families. Many of our low income families are not our property owners so they will not be affected by this Millage increase as they have been affected by sales tax. Sales tax affects everyone.

Even if it is \$40 for a year that seems to me to be a small amount of increase to continue what we have in Fayetteville, the quality of life and public service that we have. I am totally amazed when I look at other cities that have higher Millage than Fayetteville. I would rather live in Fayetteville than any of them. I feel strongly we need to move our stream of income to where it is more predictable and this is the first step in that direction. I would much rather before we cut services and ask people to do without services they have been accustomed to in Fayetteville that

we make this amount of increase and make it a gradual thing that is connected to inflationary prices. I feel strongly this is the way Fayetteville needs to move at this point in time.

Mayor Coody: With the Millage we would still be lower than Bentonville and Springdale even with the increase we would still be less than half of theirs.

Alderman Jordan: We are recommending that the 4% COLA not be on the table?

Paul Becker: That's correct.

Alderman Jordan: When did you know you were going to have to cut that out of the pay?

Paul Becker: When I saw the size of it. I did not see that until lately.

Aubrey Shepherd: I think when I was over at the Board of Equalization they pointed out that we old folks would pay more when a Millage went up.

Alderman Lucas: That is the way I understand it.

Aubrey Shepherd: They won't raise your appraisal.

Alderman Lucas: If the Millage is raised you will have the Millage on your appraisal.

Aubrey Shepherd: So it does affect us.

Alderman Thiel: We have known for several years that the commercial development in Rogers would have a major impact in our budget and we have discussed Millage increases for the past four or five budget cycles. We passed a Millage increase last year knowing then that it was not enough. This Council has passed ordinances that the citizens wanted to protect their property values and their quality of life in Fayetteville. Without adequate trained employees necessary to enforce these laws it will have been a waste of our time and the citizen's time.

When I was first elected the police morale and retention was at its lowest point, after the City paid to train these men they would leave to work for the State Police where the pay was much better. It has taken the last seven years to get the employees wages on track to achieve market salary, even with this Millage increase they are not going to receive a cost of living increase. We have excellent, well qualified, hard working city employees. We have had to make tough decisions to get to this point and I don't want to see us go backwards. I don't believe our citizens want that either.

Since I have been on this Council I have not seen deeper cuts proposed than this budget. Those cuts have included \$1 million for the trails construction, major cuts in travel and training and the no cost of living increase. If this Millage increase does not pass these cuts are going to be much deeper and it is going to really affect the services that we provide to this community. I may be in a minority on this Council but I can not in good conscience leave this decision for future

Councils. With that said I am committed in looking at ways to where we will not have to increase the Millage next year.

I think it is better to look at a little bit at a time; we probably should have passed more the last time. We were considering 2.0 Mills and we backed that off to 1.3 Mills, if we had done that we probably would not be discussing this today. I think we are going to have to look at reducing a lot of things in our budget. I don't want to see us back track on the salaries.

Dirk Vanveen: I have friends on both sides of this issue. It has been tough coming to this deliberation. We are a developer of relatively compact neighborhoods towards the center of town which actually provides a net increase in revenue versus the higher cost of conventional sprawl. We asked when we first started Ruskin Heights that we look more at the economic impact of the types of development that are done. I can be in support of these nine tenths of a Mill. I would like the Council to at least consider, that as in other communities where I have had to produce an economic impact analysis of what a project would provide, or in otherwise take from tax revenues at a cost of \$7,500. I think they are a valuable piece of information that should be evaluated when new development comes forward. I would like this Council to start examining what the economic impact does specifically in this case residential or mixed use development. At least give an open ear to what we are doing development wise to the economic development of this community and how we are going to expand our tax base and therefore our services without putting a higher burden on the existing people that live here.

My partners and I are on board for the nine tenths of the Mill. I understand that we are far below what adjacent communities are. I don't see that tax increases on the long term are what invigorates additional business to come to Northwest Arkansas.

Mayor Coody: That is a very interesting perspective. Thank you. A lot of times people have a knee jerk reaction against growth because it brings in people and it makes a lot of folks uncomfortable. I really feel like that now when we get mixed use developments with attractive green space and all the amenities that we want that if we embrace those things that we say we want and a developer brings those projects forward I think the economic impact should be considered. I am not saying all growth is good growth or all development is good development. But good development that follows the guidelines needs to be encouraged. I would like to see us do an economic development strategy to where all the City Council could get behind an economic development way of thinking.

If this does not get approved this evening then we have three options, look for cuts, work out of the reserves or a combination of the two. I don't think any of those are sustainable. Our services are not going to be less in demand. Our demand for products has not dropped it has continued to increase. Either we have the quality of services or we don't. Either we pay for them or we don't. I think Fayetteville is a community that is committed to a quality of life that we have become accustomed to. I think it is certainly worth investing \$1 per month in. I think our divisions and departments run extremely efficiently. We have fewer staffers and fewer employees per thousand people than other comparable cities where frankly a lot of us would not want to live. I congratulate our staff for being able to work so efficiently and so well on such a tight income stream. With our sales tax declining I don't see how we can keep going with this

quality of service without some kind of makeup in the revenue streams, or cuts, or digging into our reserves. None of those are sustainable. I agree with Brenda, we have come a long way in the last seven years. The turnover in the General Fund is 6.7%. Citywide when I took office I think it was 35%. The turnover has dropped dramatically which means we are keeping more experienced, highly qualified and motivated employees. Turnover cost money so we are saving a lot of money. I think as the economy continues to tighten up we will see that 6.7% turnover rate drop. None of us want to raise taxes this is not fun for any of us. From my perspective the responsible thing to do is bite the bullet and do this and maintain running a tight ship with high level of service and maintain the quality of life we have come to expect in Fayetteville and not have to do this again for a long time.

Alderman Allen: Almost everyone that I have talked to have been opposed to the Millage. It is not the amount of the Millage that they say they are opposed to because it is really a relatively small amount of money. I think there is a feeling, for whatever reason, that we are not being good stewards of their money and that we need to rebuild the public's trust. Hopefully we can do that by meeting periodically throughout the year and talk about what is going on and keep better tabs on the budget as a Council as well as staff. Then if we find that it is necessary to vote this increase in next year, then we do it. We don't worry about whether or not it is an election year, we do what we think is right. I think we have to build the trust back. They do not feel good about the way the City has been using their money.

Alderman Ferrell: In the year 2000 in the General Fund we spent 82% for personnel services and the 2008 proposed budget 83% is attributed to personnel services. I use that to illustrate the fact that in 2000 we had 618 employees and in 2007 we had 752. We have worked to provide benefits and compensation.

I know it is the job of the administration to try to get us to do what you think is the right thing. I wish that time could have been spent earlier and in a different venue of trying to save money. I understand you do not have control over everything. I think there is an opportunity cost there when we are printing paper, we have staff time and we are doing meetings, I wish we could have been focusing that time on saving money.

We talked about us having the lowest Millage, I don't refute that if you are talking about city imposed Millage but if you talk about the total Millage load in Northwest Arkansas we are not near the bottom. One of the things that I have a real problem with is it is not only this Millage, we had 1.3 Mills just before, there is higher water and sewer coming, the County is getting ready to come forward with tax and the schools. There is going to be a bam, bam, bam affect. I ask everybody to please consider that.

Alderman Jordan: When I first got into this thing I had hoped that the hiring freeze would be a real help here but from what I hear tonight I have obviously failed somewhat in that endeavor. I know it has worked at the University and the County but somehow this hiring freeze is not a good idea and obviously may not work. If the hiring freeze did work we would save about \$1.2 million and with the 60/40 split we would save about \$1.5 million, which gives us \$2.7 million for next year.

We talked about the wages of the workers and we have brought them up to a certain level and that we have. To keep them at that level we need about a 4% cost of living increase which is not going to be there. The merit and step money will be as far as I know for those that are not topped out. There is \$280,000 to continue on that plane and if we want to advance them more then we need to come up with the MAG plan of \$1 million in order to keep them on the same level.

I agree with some of the comments by Nancy. In Ward 4 we have found very few people than are in favor of this tax. It is difficult for me to pass this at this point in time.

The Millage on a \$150,000 would be about \$25 but when you add our Millage and the County's three Mills and a possible school Millage of seven Mills that is \$275 and that is pretty expensive. Those are my concerns.

Alderman Rhoads: When we first started talking about this I was pretty much in the camp of I did not want to vote for an increase in Millage. I have talked to a lot of folks and tried to get my own impression. I have seen emails that say don't raise our taxes but I have also seen some emails that have said we like what we have here in Fayetteville and it could stand to be a little bit better even though it is pretty darn good and we are going to have to pay for that. The thing that stands out in my mind is I should have pushed harder for a little more Millage last year. We talked about the fact that we need to diversify our income and this is one way to do that. I am not sure what the County is going to do and I don't know what the citizens will do as far as the school Millage is concerned.

I don't think this organization is wasting money hand over foot. When I talk about this organization I am talking about the way we administer the City. When I say we I don't mean just staff, I mean the City Council, the Mayor, elected officials and all of us. I wish things would have been different with the sewer but it is not and we have to deal with that and we need to keep moving on. The reason I ran for City Council is because I have children and I want them to have an option to make a great living and have a good life and that option could be Fayetteville. I know it all adds up but I think \$27 for what you get is well worth it.

Alderman Lucas: It would be so simple to just vote for the Millage that would solve our problems at least for the moment. That would be the simple way to do it and it would be an easy way out. I was certainly leaning toward that but after I got to looking at things and listening to people and talking to people and really evaluating this I was not so sure that was the best way to go. I certainly appreciate the efforts of Paul and the staff. I like some of the ideas that the Council has come forward with as to how we can manage without the Millage increase or without going into reserve further. When we finally see the complete budget we can work on that. We have come a long way but that was in the good times. We were very generous to the employees and nonprofits and we took over things because we had the money. Now it is a time when things aren't so good and so we may have to cut back a little on our generosity. When good times come we start in again.

We still have the unknown as to the impact of Sam's and the Razorback Theater on our sales tax. I do not want to go backwards but we have less money so we have to be conservative. I'm

leaning toward waiting to see what the sales tax is and getting a handle on it earlier and not take the simple way out of voting for the Millage.

Alderman Cook: My bottom line is for the City of Fayetteville the sales tax ship has sailed; we can't depend on sales tax any more. The dynamics have changed in Northwest Arkansas. I don't blame anyone for that that is just the way it is. This is my fifth budget cycle and every time we talk about diversifying. I think we all agree that we need to diversify but once we get past the budget we forget that conversation. I don't think until we actually hit crisis point that we are actually going to sit down and discuss how to diversify. When we run out of our discretionary Millage and we run out of our reserve, hard decisions will have to be made then. We are going to get close to that after this budget cycle. I think at some point, starting now, we have to determine how we are going to diversify and it is not to just keep adding more taxes but maybe we need to change the mix that we have in place. I think the only way we can get our attention is to make it difficult this year and make some hard decisions. I think we have to look at everything including how we collect our revenue. It is going to be a painful process but I am not going to shy away from it. I think we all will dig in our heels and do what we have to do. At some point we have to quit discussing it once a year and discuss it throughout the year on how we can make changes.

Mayor Coody: When you say diversify give me an idea if what you are talking about.

Alderman Cook: I know we are limited on our options as far as revenue for the City. I am not opposed to Millage, I would much rather pay a property tax than a sales tax any day. Can we change that mix somehow. There are all kinds of legal ramifications of how our sales tax is dedicated. I know there are people out there that would much rather give up sales tax and have a property tax. At least from the City that is what we want because it is a predictable revenue stream. It is going to increase every year, it is something we can count on and budget for. I am all for that and as a property owner in Fayetteville I would be more than happy to support that through a property tax but we have never really had that discussion. I think we have reached that moment where we have to have that discussion.

Mayor Coody: It sounds good but when you look at the number of dollars a one cent sales tax brings in, a one penny sales tax will bring in \$17 million that would basically be 17 Mills of property tax to make up one penny. We only have discretion over five Mills of discretionary and five Mills of dedicated. We have 1.3 Mills right now of discretionary that we are using for operations. There is no way we could even make up half of a penny of sales tax with maxing out our property tax. I wish we could but the numbers don't work on that. Property tax does not bring in nearly what paying a sales tax does.

Alderman Cook: So how do we diversify then?

Mayor Coody: That is why we are having this discussion tonight because we don't have that many options. We need to diversify, we have talked about the need to diversify for years now. Raising property taxes is very hard. When we started out the conversation Paul said we need 1.4 to 2.0 Mills to make this work. My compromise was I don't think we can get that much passed and I am going to hang my hat on the growth of the limited retail sector that we still have here in

town. I thought if we could bring up just \$1 million we can make these other adjustments and maybe make this work. This is a very conservative nine tenths of a Mill. I did not think nine tenths of a Mill would have trouble passing because it is so small and the ramifications are so incredibly important. We have been working for years to build up our staff to get it to be an efficient organization, to get the pay where it needs to be, to lower our turnover, to get the best and the brightest, and to be able to keep them. To build our quality of life to where not only the people of Fayetteville love it here but that we bring in the best and brightest to Fayetteville, Arkansas. If we start pulling back we will lose the very qualities that we are trying to build our future on. We are building a national reputation in Fayetteville, Arkansas on the sustainability movement, yet the budget we are about to pass is not sustainable.

As far as the trust issue goes, I know a lot of people are upset that the sewer system cost 50% more than any of us anticipated. I hate that as much as anybody else. Every major infrastructure job in the last five years has come in way over budget because of the sky rocketing prices, in fuel, cement, copper, etc. We had two choices walk away from half a project and still have a maxed out sewer plant or go ahead and bite the bullet and complete the program. 94% of the people of Fayetteville, Arkansas that were surveyed rated Fayetteville as either very good or an excellent place to live and approximately 60% think that the City of Fayetteville is run well. The majority of people are happy with the way things are going. I think the qualities that we want to maintain in Fayetteville are worth my \$2.00 per month investment to maintain where we are.

Alderman Thiel: What really concerns me is Shirley pointed out that we will have to work harder, that is not an issue, to me I did not think voting for this was easier. It would probably be easier to vote against it. I think what is going to be very sad about this is the things that we are going to have to look at cutting, I think we could have dealt with not having a Millage next year easier than we are going to find trying to live with this cut, when I review some of the things that we are going to have to cut. We have passed ordinances that increased the work load of the Planning and Code Enforcement Divisions. We are not going to be able to enforce some of those ordinances. I am fine with cutting Lights of the Ozarks but when I look at what we would save it is just a drop of what we are looking at cutting. We are going to have to find \$1 million in this budget and it has already been cut to bare bones. This really concerns me.

Alderman Gray: I am troubled about this piece of misinformation that I have been given about anyone 65 and over. Are you saying the appraisal will not be lifted?

Paul Becker: The assessed value.

Alderman Jordan: The assessed value is frozen.

Alderman Gray: I see if the Millage goes up that it is the value. That is misinformation that myself as well as a lot of other folks has been given, that the property tax will not go up. I apologize for that. I have been given misinformation but not by anyone on our staff.

Alderman Jordan moved to suspend the rules and go to the third and final reading. **Alderman Ferrell** seconded the motion. Upon roll call the motion passed unanimously.

Assistant City Attorney David Whitaker read the ordinance.

Alderman Lucas: You were right Brenda it was not an easy decision to make what I meant was it would be simple for us to just pass it and then we would not have to work to do all those cuts.

Alderman Ferrell moved to amend the ordinance to approve the existing Millage for the General Fund Operations, 1.3 Mills for General Fund Operations. **Alderman Jordan** seconded the motion. Upon roll call the motion passed 5-3. **Alderman Ferrell, Lucas, Jordan, Cook and Allen** voting yes. **Alderman Rhoads, Gray and Thiel** voting no.

Assistant City Attorney David Whitaker read the amended ordinance.

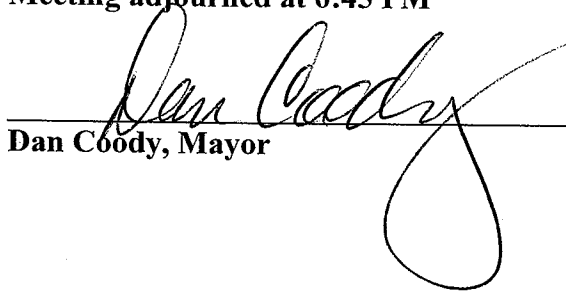
Mayor Coody asked shall the ordinance pass. Upon roll call the ordinance passed 6-2. **Alderman Rhoads, Ferrell, Lucas, Jordan, Cook and Allen** voting yes. **Alderman Gray and Thiel** voting no.

Ordinance 5071 as Recorded in the Office of the City Clerk.

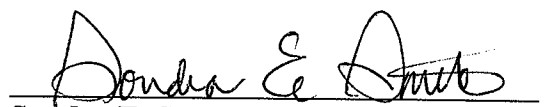
NEW BUSINESS: There was no New Business

INFORMATIONAL: None

Meeting adjourned at 6:45 PM



Dan Coody, Mayor



Sondra E. Smith, City Clerk/Treasurer

10/10/1918

My dear Mr. [Name] I have just received your letter of the 10th inst.

and am glad to hear that you are well.

I am sorry to hear that you have been ill, but I hope you are now getting on your feet.

I have been thinking of you very much lately, and wondering how you are getting on.

I am sure you will be back to your old self in no time.

I am sure you will be back to your old self in no time.

I am sure you will be back to your old self in no time.

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