

MINUTES

Special Meeting: Budget Session
City Hall Council Chamber

May 19, 2008
Monday, 12:00 Noon

Present: Mayor W. Ted Alexander, presiding; Council Members Christopher H. (Chris) Mabry, Jeanette D. Patterson, Michael R. (Mike) Royster, Joel R. Shores, Jr., Andrew L. Hopper, Sr.; City Manager Rick Howell, Administrative Assistant Heather S. Black, Director of Finance Theodore B. (Ted) Phillips, CPA, Director of Utilities Brad R. Cornwell, PLS, EI, Fire Chief William Hunt, Interim Police Chief Jeffrey H. (Jeff) Ledford, Director of Public Works Daniel C. (Danny) Darst, Director of Parks and Recreation Charlie Holtzclaw, Director of Housing Bryan T. Howell, Director of Development Services Brian L. Pruet, Director of Planning Services Walter (Walt) Scharer, AICP; and media representatives

Absent: Council Member Larry G. Ware
City Clerk Bernadette A. Parduski
City Attorney Sam B. Craig

Mayor Alexander called the meeting to order at 12:07 p.m. Mr. Royster gave the invocation and Mrs. Patterson led the *Pledge of Allegiance*.

PRESENTATION OF THE CITY MANAGER'S PRELIMINARY BUDGET SUMMARY-CONTINUED:

Mr. Howell continued his presentation of the preliminary budget summary by distributing the following revised documents:

- 1) Calculation of the revenue neutral tax rate
- 2) Final draft of the budget message

Mr. Howell explained that he is statutorily required to provide Council a calculation of the revenue neutral tax rate during revaluation years. The last revaluation took place and was effective for fiscal year 2004-2005. Mr. Howell defined the revenue neutral property tax rate as the rate that is estimated to produce revenue for the next fiscal year equal to the revenue that would have been produced for the next fiscal year by the current tax rate if no reappraisal had occurred. The revenue neutral tax rate is slightly different for cities than it is counties due to the fact that annexations are factored out of the formula. Counties do not have additions such as annexations in terms of tax base. Revaluation is a process of updating the assessed value of real property to reflect its value on the open market and accordingly to obtain net growth in market value from 2004 to 2008. The City uses the figures obtained from the Cleveland County Tax Assessor's Office to determine the revenue neutral tax rate. Mr. Howell reported the revenue neutral tax rate for FY 2008-2009 was calculated at 42.6774 cents per \$100 valuation.

Mr. Howell directed Council's attention to the Summary of General Fund Changes in his final draft budget message to review the net expenditure increase of approximately \$606,000 as proposed and to review net revenue increase of approximately \$606,000 based upon property taxes, the natural gas fund transfer, the electric fund transfer, and the fund balance appropriation. The bulk of the net increase is based on personnel costs, the group health insurance increase, and the departmental fuel increases.

Regarding the net revenue increase, Mr. Howell recommended maintaining the tax rate of 43.5 cents, assuming Council's approval. The revenue increase also shows an appropriation from the natural gas fund balance of \$200,000; an increase in the electric transfer by \$60,000, which is within the City's 3 percent policy limit; an appropriation from the general fund undesignated fund balance of \$140,000; and net growth from other revenues of approximately \$86,000 to balance.

Mr. Howell reminded Council the Local Government Commission (LGC) recommends that every governmental entity maintain their available fund balance in the general fund at the larger of 8 percent (of expenditures and transfers to other funds) or half the comparable group average statewide. Mr. Howell advised that while the City is within the acceptable range recommended by the LGC, it should be noted it is on the lower end of this range.

With regard to the solid waste collection fee increase of 25 cents per month, Mr. Howell said it is necessary to offset a \$2.00 per ton increase in tipping fees at the County landfill. This \$2.00/ton increase was mandated by the General Assembly and is effective July 1, 2008. Mr. Howell added that none of the revenue generated will be retained by the City.

There was discussion regarding the solid waste collection fee increase and the City's increased fuel costs as it relates to the delivery of City services. Mr. Howell stated that all City departments are reliant on fuel to perform their work necessary to serve citizens. A 2 percent reduction in fuel usage has been realized this year due to conservation efforts by each department. This effort can be better but no significant reduction will be accomplished simply due to the nature of the City services provided.

Mr. Howell duly noted for full disclosure that the revenue neutral tax rate of .426774 and its net new increase would be zero and reiterated that leaving the tax rate at 43.5 cents will generate an additional \$120,000 in FY 2008-2009, which at this level is in effect a tax increase on some but not on all properties.

Discussion centered on the City's reliance on fund transfers, the service levels provided by the City, service cuts, attrition, fees, and tax increases and concluded with a determination that it would be appropriate and wise for Council to establish some basis upon which the annual shifting of monies is based. Mr. Howell advised that the lack of growth in the property tax base is troubling and if adjustments are not made on either the revenue side of the equation or the expenditure side, the current service levels provided by the City cannot be sustained.

By consensus, Council expressed their satisfaction with the budget information they requested and were prepared to move on with the proposed budget for adoption. There was also consensus among Council to vote on this budget and then discuss changes for future budgets. Mayor Alexander reiterated his appeal for Council to gain an understanding for next year's budget discussions that the City cannot continue to be dependent on reserve funds year after year.

By consensus, Council agreed to conduct the public hearing with regard to the City's proposed budget for FY 2008-2009 on Monday, June 2, 2008, at 6:00 p.m. in City Hall's Council Chamber. Council will further consider the proposed budget and anticipate its adoption on June 16, 2008.

Mr. Howell distributed revised utility fund documents for Council's review and noted the additional appropriation of \$200,000 from the natural gas fund undesignated fund balance is included at Council's direction. Mr. Howell reviewed the utility rate increases recommended in this budget and presented on May 13, 2008 as follows:

- Water rate – 5 percent
- Sewer rate – 5 percent
- Electric rate – 2 percent
- No natural gas rate increase

Adjournment:

- 1) Motion to adjourn

ACTION TAKEN: Upon a motion by Mr. Shores, second by Mr. Hopper, City Council voted unanimously to adjourn the meeting at 12:53 p.m.

Respectfully submitted,

Drafted by:
Heather S. Black
Administrative Assistant

Prepared by:
Bernadette A. Parduski, CMC
City Clerk

W. Ted Alexander
Mayor

Minutes of May 19, A. D. 2008