

Budget Workshop Minutes
Tuesday, August 26, 2008 (Council Chambers)

Council Members present – Mayor Jenks, Terry Ruck, Monty Jordan, Don Barklage, Stan Spadoni, Sue Eudaly, Gary Hicks, Don Morris, Jim Williams, Donna Hawley, Mark Walburg, Lou Magdits, Rick Morris.

Department Directors/Staff – John Butz, Chief Kearsse, Brady Wilson, Chief Williams, John Petersen, Ken Kwantes, Steve Hargis, Steffanie Rogers, Scott Grahl, Scott Caron

5:35 p.m. – the meeting was opened

Mr. Butz began the meeting by explaining the general budget process. It was explained that State Statutes dictate that the City cannot adopt a deficit budget – proposed expenditures cannot exceed planned revenues plus unencumbered funds from the prior year. Fund accounting was briefly explained.

As proposed the City’s “Ending Fund Balance - All Funds” projected total funds of \$14.2 M, an increase over FY 2008 primarily due to the cell-phone settlement proceeds received in June & July, 2008. Of that amount \$5.14M is set-aside from the 2004 refinancing bonds issued for the Rec Center which will be distributed in FY 2009. The City estimates a 1% growth in sales tax, the primary revenue source for the City. In the proposed FY 2009 budget total revenues for all 9 funds are down from the current year \$2.2 M due to the completion of the Southwest Treatment Plant. Total proposed expenditures are \$23.3 M, comparable to that of FY 2005.

“Unfunded requests” were explained. From the first submission, department directors submit a budget based on their departmental needs. Once compared to revenues, items begin to be cut to balance the budget. The unfunded listing is a summary of items last cut and considered important such that they could be funded if additional revenues are identified. A question was asked about the relocation of Court. It was explained that in order to cut funds and balance the budget Court will need to be relocated (savings of \$14,000/year). A question was asked about the \$48,000 for the repeaters. It was explained that this estimate would ensure radio coverage from low-lying areas throughout the community – primarily south of Lion’s Club Park and pockets north of I-44. The City had hoped County-wide E-911 funds would cover this expense, but the Commission has declined participation in the purchase since it only affects remote areas in the City Limits. A question was asked about the fire department’s budget cuts including parking lot repairs.

General Fund summary – The largest single revenue source - the sales tax – is projected to have 0% growth in FY 2008. For the proposed FY 2009 the City is projecting a 1% growth in sales tax. Mr. Butz reviewed the ending fund balance which despite the stagnation in sales tax showed some growth due to the cell-phone settlement received in 2008. For funds transfers, the General Fund charges the City’s own enterprise funds (Sewer, Solid Waste, Street/Cap Improvement and Rec Center) 7% of

operating revenues for administrative support/overhead. The General Fund receives a 5% franchise from private utility operations and RMU. The General Fund subsidizes the Parks Fund and Airport Fund so consequently those operations are not charged a fee for administration.

Were it not for the 2008 cell-phone settlement the General Fund reserve would be 21% of operating expenses instead of the 25% goal established by City Council several years ago. Consequently the projected 2009 General Fund balance meets the 25% reserve goal. As there is a small balance over the budgeted 25% reserve for the General Fund City Council may want to consider whether additional compensation for all employees should be considered in FY 2009.

Discussion took place on the following:

Real estate taxes – the City has considerable property owned by governmental entities that is not assessed. When reassessment does occur the City's tax levy is required to be adjusted to net out comparable tax receipts with an adjustment for inflation and new investment.

Sales taxes – 1 cent sales tax is budgeted for the general fund. The City's total sales tax rate of 7.6% is very comparable and in many cases lower than other growth communities throughout the State. Sales tax receipts are critical for the City's operation. Despite an average growth of 4.5% for the last 15 years the City's sales tax receipts have stagnated for 3 of the last 4 years. For fiscal year 2008 sales tax is projected at 0% growth and 1% for fiscal year 2009. Vehicle sales taxes have also dropped and are paid based on the residency of the buyer rather than the location of the store.

Franchise/Excise Taxes – The largest franchise fee is paid from Rolla Municipal Utilities (RMU) which earns the largest gross receipts. Before the ordinance establishing the franchise agreement in 2005 the City received a fixed amount determined by the Board of Public works and the City received other inkind services (ie. billing services, fire flow and street lighting). Since the restructuring of same there is a clearer accounting of the fees and services provided. RMU remits quarterly a 5% fee on gross receipts and the City pays quarterly for street lights, fire flow and billing services.

Licenses & Permits – It was discussed that some MO Cities use the business license tax as a larger revenue source than does Rolla. The business license tax can be based on number of employees, gross revenue or building square footage. In Rolla the City does a flat fee of \$50 for the initial business license and a renewal fee of \$35. To change the way the fees would be assessed would require a vote of the people. Building permits and fees are driven by residential and commercial activity. The goal is to have a 40% recapture rate of the inspection services provided by the Community Development Department. For nuisance abatements revenues go into misc income within the General Fund.

Intergovernmental – The most significant intergovernmental revenues come from Phelps County who reimburses the City for County-wide dispatch services and for E-911. The budget contains some federal and state grants for SEMA, SAFER and the homeless grant. Other revenues include the Rolla Public School reimbursement for the School Resource Officer/crossing guards and the hazardous material spill bill for fire services.

Charges for Service – MS&T makes an annual payment for fire services. RREC and the Phelps County Landfill Board is charged a monthly administration fee to cover the expenses of contracted employees and services provided to those organizations.

Fines & Forfeitures – Municipal court fines can vary depending on the judge, prosecutor and number of tickets written. The police department redirected their focus to major crimes instead of moving violations in 2008 which did affect court revenues.

Miscellaneous – Lease proceeds are from various rentals owned by the City.

A question was asked about other departments generating additional revenues to sustain their own department. It was explained that divisions within the General Fund are allowed to charge for services but that many of those basic services provided are intended to be funded by the general taxes of the city. Additional revenues are deposited in the General Fund but are not ear-marked for specific divisions. Only grants are strictly earmarked.

A suggestion was made for the fire department to charge a fee to inspect commercial buildings to help recoup expenses. A question was asked whether a fee could be charged for the fire department's response. Fire associations can charge because they do not receive taxes but cities would be limited in their ability to charge for basic services when general taxes are paid.

A question was asked if there is anything else out there to generate revenue other than raising taxes. Something creative that will draw people into our community to generate revenue. It was agreed that efforts to increase the marketability of the City and to grow the economy certainly generates additional revenues without raising tax levies. It was asked if building inspection fees could be increased. While that is feasible we have to be conscious about competing with the areas around us (i.e. no inspection costs/services in unincorporated Phelps County). The 40% recovery of inspection fees was established by Council a few years ago (up from 25%).

General Fund Expenditures – Mr. Butz explained that each division/department now includes a one page narrative in the budget of each operation to give a better overview of the departments' services.

Administrative - The Administrative division is basically the City's "overhead" including the Mayor and City Council budget. The budget has cut the quarterly newsletters that were mailed to each household and those resources have been redirected to the funding of Rolla Channel 6 as the primary communications tool for the City.

Professional/Contractual expenses are made up of motel tax remittances to the Chamber (\$240,000/year), fiber optic services to RMU, RMU services paid quarterly (street lights, billing and fire flow), and the ACORN contract for state and city right-of-way beautification. Election expenses cover one election and does not anticipate a parks sales tax issue on the 2009 ballot. The budget also includes the annual Forrest Service payment and the lease payment for City Hall.

City Administration - is made up of the City Administrator, Communication Coordinator, City Clerk and Executive Secretary.

NOTE: Within each division, the number of full-time employees are identified, the retirement (LAGERS) rate is included, the number of covered lives for health insurance is identified as is the insurance charge to MIRMA. Pertaining to employee retirement, it was explained that in 1993 employees were refunded the amount employees contributed to their own retirement which incurred a large liability in the City's name. In 2009 the refunding liability will be retired resulting in a 2% decrease in retirement costs. The suggestion is to increase the LAGERS benefits to the next higher benefit - LT14 (65) – an estimated cost of 2%. RMU is contemplating moving to the highest benefit level (L6) where the County is currently enrolled.

A question was asked if the employees were asked about the change in LAGERS and it was explained that EAC provided feedback and a compensation task force was formed to help with communication and feedback. Feedback from employees was also to shift more compensation to the annual COLA (proposed at 2.5% for FY 2009) with the availability of a one step merit increase (1.5%).

A discussion took place regarding the average age of employees (36 – 40 years of age). The City's average age of the workforce is comparable to other public entities. The health insurance and benefit package was also discussed and it was explained that fringe benefits add an additional 35 – 45% of the cost of compensation for full-time employees.

Finance –Professional/Contractual services is the largest item. This includes County Real Estate tax services, computer software maintenance, annual audit and fiber costs. A question was asked about a Human Resource division. It was pointed out that the City is at a point where an HR division is justified; however, in many cities that function costs over \$100,000 and the funds have simply not been there in recent years.

Legal – The Legal Division covers both the costs for City Counselor (Beger & Bushie) and the prosecuting attorney. With the uncertainty of the possible union formation funds have also been budgeted for special counsel.

Municipal Court –There is a reduction in the rent for moving Municipal Court from the old Courthouse. It does not appear the County Courthouse space is an option. Various options were explained and the most cost effective option is Eugene Northern but the best option may be moving court back to City Hall.

A question was asked if the council can mandate fines and it was explained that the discretion is primarily up to the judge. The council can take some of the discretion out of the court for guilty findings by ordinance but generally the authority rests with the municipal judge (not to exceed \$500 and/or 30 days in jail). City councils cannot dictate how prosecution is addressed though prosecutors can be elected or appointed officials. The Council's primary control is through the budget.

Central Communications – Since Phelps County pays for county-wide dispatch services and county-wide E911 services the net cost to the City is approximately \$300,000. While Phase II compliance (cell-phone identification) was not approved by MO voters the budget does include funds to offer that service in Rolla.

Animal Control – One of the few divisions to increase manpower animal control has proposed an additional part time employee. Professional/Contractual costs primarily cover the cost to euthanize unwanted/unclaimed animals.

Joint services with the County was discussed and it was explained that the County is not prepared to fund the services. The County is working with the City on the drug program and the Commission has other priorities to focus on. There is limited interest by the County for some kind of animal program at this time so the City ends up addressing unwanted or abandoned animals from the County.

Police Department – Considerable discussion was held on the size and services of the Police Department. The budget does include pay differential for evening and night shifts. A lengthy discussion took place on the turnover problem in PD (approximately 18%). It was explained that most city departments do not have the competition for qualified employees that law enforcement has (ie. Sheriff's Dept, Hwy Patrol, MS&T, security).

A question was asked if we get a discount for gas purchases and it was explained that the problem with bidding out fuel services is on the specifications of access and location. It was noted that driving a further distance to access a contracted station could cost more money in the long run. In the future the City is looking to have our own fueling station (or a contract for same) at the consolidated public works yard to support the City's fleet.

Fire Department – The SAFER grant was discussed. The City's responsibility is 10% for the first year, than 20%, 50%, 70% then 100%. It was pointed out that the City recognizes that in future years, financial support for the grant will be tight. A lengthy discussion took place on the SAFER grant and a question was posed if the City should reconsider its acceptance of same. Despite the financial commitment and possible future hardship it was generally considered a final decision especially since the employees have now been hired and their families relocated to Rolla in several cases.

A question was asked if the fire department was responding to HAZMAT incidents and it was explained that all HAZMAT calls are responded to within the City including I-44. The City also provides mutual aid support to surrounding departments and is on stand-by as a hazardous response team for SEMA.

Building Services – No unusual changes or expenses planned. Building services includes one full-time employee and the support of The Centre’s maintenance division for upkeep.

Engineering – Due to budget constraints the City Engineer position remains unfilled. In light of that position vacancy it was asked if we could use more help in engineering. It was explained that in order to balance the General Fund the City also is proposing to eliminate a part-time intern position. It was also explained that it comes down to resources and that all departments have to become better and work harder than the year before. A question was asked if the City would consider contracting out engineering services and it was explained that it is difficult to contract small projects and from past experience a contracted engineer is more expensive than services provided in-house, especially when considering the flexibility of resources and the supervision needed to coordinate and manage engineering contracts.

A suggestion was made about raising revenues since the reality of goods and services continue to increase. A recommendation was referenced from the Fiscal Advisory Committee with the restructuring of the parks local option sales tax. Other options include revamping of business license fees, local use tax (tax on out-of-state purchase) and economic development sales tax. It was noted that any substantive change in revenue sources would require voter approval and that would appear difficult in tight economic times.

Community Development – A discussion took place on nuisance abatements and the process involved from grass cutting and demolitions. It was explained that the City could be more aggressive in its enforcement actions but the budget would need to be increased to impose abatement provisions (ie. demolition costs).

Economic Development – It was explained that most of the ED budget is reimbursed from RREC and other parties participating with the Rolla West project. The budget also includes a \$71,800 contract to perform the master planning of the MS&T Tech Park but there is an off-setting \$71,800 DED grant for same. It was explained that the budget includes a \$115,000 payment to RREC based on the funding contract with other private and institutional donors. The contract is subject to annual appropriation by the City Council. FY 2009 will be the fourth of a 5 year commitment with RREC.

8:51 p.m. meeting adjourned.