

Budget Workshop Minutes
Monday, August 24, 2009 (Council Chambers)

Council Members present: Don Brown, Monty Jordan, Stan Spadoni, Sue Eudaly, Gary Hicks, Mayor Jenks, Don Morris, Lou Magdits, Jim Williams and Don Barklage.

Council Members absent: Ken Boeker, Donna Hawley and Mark Walburg

Department Directors/Staff – John Butz, Mark Kearse, Brady Wilson, Scott Grahl, John Peterson, Bob Williams, Scott Caron, Ken Kwantes, Steve Hargis and Steffanie Rogers.

5:35 p.m. –the meeting was opened.

Mr. Butz began the meeting with a review of the preliminary budget meeting that took place with the Audit Finance Committee on August 12, 2009. A change in format was explained that included an overview of each department followed by the department director having 3-5 minutes to discuss particular highlights, services and special needs. An overview of fund accounting was explained and an explanation was given on how each fund is required to have a self-balancing set of accounts (revenues, expenses and retained earnings). City Staff does not have the discretion to arbitrarily move funds from one fund to another without Council consent.

Mr. Butz reviewed the “Statement of Revenues, Expenditures and Fund Balance – All Funds” that summarized year-end projections for FY 2009 and projections for 2010. The projected year end budget was estimated at \$22.7M in revenues and \$27.1M in expenses with an ending fund balance of \$8.9M. The total fund balance was reduced approximately \$5M due to the payout of the 2004 GO Refunding Bond (Rec Center) as budgeted. The proposed FY 2010 budget projects total revenues of \$23M and total expenditures of \$22.9 M leaving a projected fund balance as of 9/30/2010 of \$9.05M. The reserve balance meets the City’s goal of a 25% General Fund reserve balance.

Mr. Butz then reviewed “Unfunded requests” identified on page 13 of the budget. Department directors submit a preliminary budget based on departmental needs in June. The requests are then balanced with projected revenues. Inevitably budget cuts are then discussed and considered to produce a balanced budget. The unfunded listing is a summary of critical items that were cut but identified if additional revenues or cost savings are realized. For instance the roof improvements at RPD were identified as critical but unfunded at this time. In addition a fire truck that has been postponed for 5 years was again deferred with increased maintenance costs. Also, the Fire Marshall position was not funded along with the City Engineer position (vacant 3+ years) but both will be reconsidered mid-year depending on conditions. Total critical, unfunded items in

the General Fund totaled \$395,000. It was reviewed that while the Park Fund still receives considerable funding through a subsidy from the General Fund. The Park Fund is again limited to operational expenses only – no capital improvement/maintenance items.

General Fund Summary – For the General Fund there is a projected fund balance of \$2.2M which is presented in compliance with the 25% reserve requirement specified by City ordinance. After 11 months sales tax has grown 0.5% but the budget reflects a 1% growth for fiscal year 2010. Motor vehicle sales tax has declined while cigarette taxes are starting to decline for the first time. Franchise fees for telecommunication provides an ongoing revenue stream and has added about \$250,000 to the budget, predominately from the franchise fees on cellular telephone service. Building permit revenues have declined due to a dramatic drop in construction activity, especially residential construction. Mr. Butz also reported the County is considering approaching the voters with a County wide 911 communications tax with the intent of covering all dispatch and E-911 costs County-wide (a potential cost savings to the City).

Inter-fund Transfer Calculation Detail – Mr. Butz reviewed the inter-fund calculation process used by the City in determining transfers to cover administrative services provided by the General Fund (i.e. admin, payroll, HR, engineering, legal). Development of a formal methodology for same was recommended in the recent State Audit. Mr. Butz reviewed a spreadsheet used to calculate same and allocates administrative costs as a total of the City budget. General Fund expenses not included in the calculation include are the motel tax, RMU billing, Forest Service land acquisition, water billing, street lighting, grant expenses, real estate tax collections and prosecutor costs as these costs do not directly benefit other City Funds. Direct expenses allocated to various enterprise funds such as RMU's utility billing and street lighting are incurred by the General Fund but reimbursed by the Environmental Services, Sewer and Street Funds. Mr. Butz went on to explain that “assignable costs” are then billed at 90% because all the Funds also provide various in-kind services to the General Fund. The proposed calculation methodology in addition to reimbursing the General Fund for assignable expenses also provides a more accurate portrayal of the true cost of operating the various Funds.

FY 2010 Budget Review

Administrative Division – This division is made up of the mayor and council. A brief discussion followed.

City Administration Division – This division is made up by the general administration offices of the City. A brief discussion followed.

Finance Division – Finance was explained and a review of the parks sales tax and County 911 tax was discussed. It was also pointed out that the overage of 102% was due to State audit costs.

Legal Division – This division is made up of the counselor and prosecutor budgets. It was mentioned that the legal fees associated with union efforts are included within this division.

Municipal Court Division – Municipal Court is now located back in City Hall which allows the court clerks to take payments on court nights. There are approximately 3050 cases processed with 2 full time employees. It was pointed out that the overage of 102% in FY 2009 was due to additional rent to the old courthouse before being moved.

911 – Telecommunications – This division is projecting a growth of 0.35% with 60.5% of the total budget being reimbursed by the County (E-911 and County-wide dispatch). Chief Kears gave an overview of this division. It was mentioned that about 85% of the 911 phone calls from the County can be traced due to recent upgrades. Some of the accomplishments mentioned were; the new recording system, phase II and repeater for TJ Hall to help with portable radios. A detailed discussion took place on various telecommunications topics.

Animal Control Division – There were 1,567 animals processed in for fiscal year 2009, fully-staffed with 3 full-time employees (1 part time employee), and open 7 days a week. Chief Kears gave an overview of services. Some of the achievement were partnering with organizations to develop a pet food pantry for low income families.

Police Division – Chief Kears gave an overview of the department. Some of the achievements mentioned were: VIPS division (a full time position paid for by a grant), Narcotics/undercover division partnering with the South Central Drug Taskforce, Highway Patrol, Forest Service, and County contribute to help fight other crime. Chief also reported that turnover dropped dramatically in FY 2009 primarily due to adjustments in compensation and employee empowerment. A brief discussion followed on additional manpower needs and the need for the roof replacement project.

Fire Division – General discussion took place on equipment replacement (in particular L-31 which was due for replacement 5 years ago) and the SAFER grant. Chief Williams gave an overview of the department. Some of the accomplishments mentioned were: drop to a Class 3 ISO rating, EMS responses, homeland security response for the “all hazards unit”, all staff certified as HAZMAT personnel, dive responses for search and recovery, child safety seat agency, drug bunker and the SAFER and Fire Act grant. A general discussion followed.

Building Services Division – This division is the maintenance of City Hall. In addition to one full time employee, services are contracted with the Centre for upkeep of the new building.

Engineering Division –Mr. Hargis gave an overview for the engineering department. The future projects mentioned were: Rolla West project phase II, CID development, Kingshighway/Bryant Drive improvements, Line Barnitz projects, Basswood Drive,

round-about at 18th and Forum, Coventry trails sidewalk (last grant application in process) and the Route E bike path (in-house only). General discussion followed.

Community Development Division – This division is made up of comprehensive planning, zoning and the building codes division. Mr. Petersen gave an overview the department and a general discussion followed.

Economic Development Division – Mr. Butz gave an overview on economic development and pointed out that the RREC contribution has been cut \$10,000 due to budgetary constraints. A general discussion took place on formation of the community improvement district (CID) for Rolla West.

Sewer Fund – Mr. Hargis gave a brief overview on the treatment plants and new regulations affecting same. A 15% (\$.50/1,000 gallons of water) increase is projected in FY10 in order to maintain a positive cash flow and to begin to rebuild reserves no longer in compliance with SRF bonds requirements (minimum balance of \$500,000). Sewer revenues have declined primarily because water consumption is down so in spite of the increases each year in the sewer rates, revenues continue to decline. A discussion followed.

Environmental Services Fund – Mr. Butz gave a brief overview on the Environmental Services Fund. This fund has a project fund balance of \$2.1M. Staff is projecting a growth in revenue as recyclables are anticipated to rebound in the next year. Expenditures are divided into 3 divisions: Recycling, Sanitation and Vehicle Maintenance. Mr. Wilson gave an overview on the fund. Some of the achievements mentioned were: a new name and branding to create a more positive image, first full year of the household hazardous waste facility operations, the large one day collection events (e-waste, tires, etc), and the transfer station contract renegotiation which resulted in lower disposal costs (now shipping trash from the PCLB Transfer Station to Swinger Sanitation's landfill in Cuba). A discussion followed.

Airport Fund – Mr. Butz gave an overview on the Airport Fund. Fuel sales have increased over 2008 due to less cost for aviation fuel. A reserve balance is anticipated to be \$74,457 but a transfer of \$155,000 in FY 2009 for capital projects is primarily responsible for same. Lease payments on the fuel farm will be complete in 2011. No specific grant projects are planned but \$50,000 was budgeted in case grant opportunities arise.

Cemetery Fund – Mr. Butz gave a brief overview on the Cemetery Fund and explained that this fund is primarily for perpetual care – and even as such is dramatically under-funded. Interest revenue is transferred to the Parks Fund to help support daily operations of the Cemetery provided by park operations. Reserve funds are restricted to Council approval and cannot be used for operations. A general discussion took place.

Street Fund – Mr. Butz gave a brief overview of the Street Fund. The internal goal is to keep a \$500,000 reserve balance but staff would ultimately like to see that increased to \$1M for cash flow needs. Mr. Hargis gave a more detailed review of the Street Fund. The projects proposed for fiscal year 2010 are: Bryant/Fairgrounds improvement, Southside roads (Parkview, Basswood, Forrest, Barnitz, Line), Little Oaks Road and Shady Lane (see handouts for detail). A general discussion took place.

Recreation Center Fund – Mr. Butz gave a brief overview of the Recreation Fund and pointed out the bond refunding that took place in FY 2009 (as budgeted) reducing the total fund balance to \$3.2M. Mr. Caron gave a recap of the Recreation Centre Fund and pointed out that the two biggest concerns are the dramatic increase in minimum wage and utility increases. The Centre requires over 46,000 hours in labor to operate and maintain so the 40% increase in minimum wage, primarily for part-time employees is dramatic. Mr. Caron also pointed out that the Splash zone is approaching 10 years of age and is also in need of some capital improvement infusion to keep that facility current and competitive. Mr. Caron pointed out without an extension of the sales tax by 2013 we will be requiring serious subsidy from reserves (operating recapture rates of 82 – 95% over the first 5 years of operation). A discussion followed.

Park Fund – Mr. Butz gave a brief overview on the Park Fund. Mr. Kwantes gave some highlights for the department. They were: \$18,600 revenue increase in cemetery lot sales, \$30,000 reduction in part time labor through COPIC, 4 large tournaments, and the youth fishing fair. Some other park accomplishments mentioned were: completion of Northside Park, dedication of Veterans Park, a new amateur Frisbee golf course being installed in Ber Juan Park with volunteers, grants and donations, Ozark Memorial cemetery was conveyed to a private organization, and Ber Juan Park east was opened for practice play (soccer, kite flying, etc). Some of the challenges continue to be: labor cost associated with the minimum wage increase, bleachers repair, 20 playgrounds in need of updating, and new roofs on 2 park buildings. There are again no capital improvements included in this budget. Discussion focused on the need to consider an extension of the park sales tax and frisbee golf.

Park Land Reserve Fund – Mr. Butz gave an overview on the Park Land Reserve Fund. This is money receive from residential development and can only be spent by a super-majority of Council.

Personnel & compensation – Mr. Butz touched on the wage and grade scale. This is implemented equally regardless of fund balances. Mr. Butz indicated that the budget includes a 1% annual increase for all employees but does not include any merit increases. Mr. Butz reported that health insurance cost increases were minimal and that employees contributed over 36% to all related costs (exceeding the obligation of 33%).

Long Term Financial Obligation – Mr. Butz gave an overview of all of the long term obligations for the City, both bond payments and capital leases.

Following considerable Council consideration of all phases of the budget Council felt the budget reflected a fair and accurate plan for FY 2010. Council requested the Budget be presented for public hearing and a first reading on September 8th.

9:05

p.m.

Meeting

adjourned.

CITY CLERK

MAYOR