

**SPECIAL ROLLA CITY COUNCIL MEETING MINUTES
MONDAY, AUGUST 27, 2012; 5:30 P.M.
ROLLA CITY HALL COUNCIL CHAMBERS
901 NORTH ELM STREET**

Presiding: Mayor William S. Jenks, III

Council Members in Attendance: William Lindgren, Jr., Monty Jordan, Greg Sawyer, Steve Leonard, Kelly Long, Gary Hicks, Don Morris, Lou Magdits, Jim Williams, Carolyn Bolin, Tony Bahr, and Fran Mazanec

Department Directors in Attendance: Public Works Director Steve Hargis, Parks and Recreation Director Scott Caron, Community Development Director John Petersen, Police Chief Mark Kearse, Environmental Services Director Brady Wilson, Finance Director Steffanie Rogers, and Fire Chief Robert Williams

Other City Officials in Attendance: City Administrator John Butz, Communications Director Scott Grahl, and City Clerk Carol Daniels

Following a light dinner, Mayor William S. Jenks, III, called the meeting to order at approximately 5:35 p.m. and indicated this is the Council's opportunity to review the proposed budget Fiscal Year 2012/2013. Since the fiscal year begins October 1, 2012, the budget must be approved in September. Mayor Jenks then turned the floor over to City Administrator John Butz.

Mr. Butz reported staff has been working on the proposed balanced Fiscal Year 2012/2013 budget for the past four to five months with Department Directors. He encouraged the Council to not hesitate to ask questions during the presentations. Mr. Butz mentioned that last week the budget was reviewed with the Finance/Audit Committee along with new Councilmen Steve Leonard and Kelly Long.

Mr. Butz referred the Council to the Statement of Revenues, Expenditures, and Fund Balance for All Funds. He noted the projected revenues for FY 2012/2013 is \$30,780,675 with expenditures proposed at \$30,359,050. He pointed out there is a \$4 million bond issue proposed for the sewer treatment plant for the UV disinfection program. After transfers to the Airport Fund for sewer work, there is a surplus for the year of \$246,379, bringing the projected ending fund balance to \$10,727,635.

Mr. Butz then provided an overview of the General Fund Revenue Projections. He noted that with the Kohl's TIF (Tax Increment Financing) project, the City is rebating Kohl's a portion of the property tax increment as well as the sales tax increment. He pointed out the property tax increment is about \$5,000 and the sales tax increment is about \$40,000.

AUGUST 27, 2012

**ROLLA CITY COUNCIL
SPECIAL ROLLA CITY COUNCIL MEETING MINUTES
AUGUST 27, 2012
PAGE 2**

Mr. Butz recalled that last year the Council adopted an ordinance, effective for one year, which established a 5.5% gross receipts tax or PILOT (payment-in-lieu-of-taxes) on Rolla Municipal Utilities' electric customers to pay for street lighting. The 0.5% has been eliminated in this year's budget.

Mr. Butz told the Council the Fire Department proposes to replace a pumper truck. The General Fund contains capital lease proceeds of \$450,000.

Mr. Butz mentioned the General Fund charges an Administrative overhead fee to all City funds and in turn, the General Fund subsidizes the Park and Airport Funds. While the Airport Fund subsidy has significantly increased, the Park Fund subsidy has been reduced from \$400,000± to \$200,000, which was a real relief to the General Fund. Mr. Butz attributed the subsidy decrease to the consolidation of the Parks and Recreation Center management provisions, and the reduction of 19 full-time employees to 15 full-time employees.

Mr. Butz then provided an overview of the proposed budgets for the divisions included in the General Fund. He pointed out staff is proposing a 2% cost-of-living increase to all employees. He indicated this would be discussed in more detail later in the meeting. Mr. Butz mentioned the new health care reform has added costs to the City's self-insured plan. He noted the City has seen an increase in its health costs because there are more lives on the plan due to the new health care reform.

Mr. Butz informed the Council the City provides bookkeeping services for the Library and charges them \$2,500. He told the Council an offsetting revenue of \$207,750 is in the General Fund.

Mr. Butz noted the Central Communications/E-911 Expenditures are entirely paid through the Phelps County Emergency Services Board (PCESB). The proposed budget of \$1,293,112 contains an offsetting revenue of \$1,303,000.

Mr. Butz recalled the Council recently authorized staff to reapply for a two-year extension of the SAFER (Staffing for Adequate Fire and Emergency Response) grant. The original SAFER grant officially ended in August. Mr. Butz said there are currently two vacancies in the Fire Department. Two of these positions will remain vacant for at least six months until the SAFER grant is approved. Mr. Butz noted the Fire Department has spent an

**ROLLA CITY COUNCIL
SPECIAL ROLLA CITY COUNCIL MEETING MINUTES
AUGUST 27, 2012
PAGE 3**

average of about \$25,000 a year for the past three years maintaining Ladder 33. Staff recommends moving it to reserve status and is proposing the purchase of a new pumper at \$450,000. Mr. Butz said staff suggests transferring the rental responsibilities of Eugene E. Northern Community Hall into the Recreation Center where staff has the software used for room reservations. Fire Department personnel would continue to inspect the Community Hall after its use.

Mr. Butz then provided an overview of the Sewer Fund. He noted \$4 million in lease/financing is included in the Sewer Fund budget for the UV disinfection for the Southeast Wastewater Treatment Plant.

Regarding Sewer Fund Revenue Projections, Mr. Butz said staff is recommending a \$.40/1,000 gallons sewer rate increase for the next two years. Although it is significant, Mr. Butz said it is needed to meet the new changing requirements. Staff is looking at the feasibility of refinancing the State Revolving Loan Fund (SRF).

Mr. Butz then provided an overview of the Environmental Services Fund, which includes the Sanitation Division, Recycling Center, and Vehicle Maintenance. He said this fund has a strong, financial and cash position. The City has saved over the past four or five years in preparation for Phase I of the Public Services Yard (Sanitation and Vehicle Maintenance), which is under construction. The reserves are being spent down, which is why there is a \$838,678 deficit this year and a projected deficit of \$1,206,410 next year. Mr. Butz said all of the users of the Vehicle Maintenance Department would pay back a portion over 15 years to help reduce the cost to the fund.

In the Airport Fund, Mr. Butz pointed out the \$600,000 lease/financing revenue in the budget is in anticipation of the construction of the water tower. The \$335,000 revenue is from the Rolla Community Development Corporation (RCDC), to be paid back through improvements at HyPoint West. The Rolla Regional Economic Commission (RREC) has also made a \$50,000 contribution, which will also go toward the Airport infrastructure. He said the Airport budget is up substantially because of the Airport project. Mr. Butz told the Council the fuel sales at the Airport have been very strong.

Mr. Butz then touched on the Cemetery Trust Fund, which is used for perpetual care. The Fund was started in the 1970's. Mr. Butz said the Cemetery Trust Fund is underfunded by about 70% or 80%. The expense associated with the Cemetery is borne by the Parks Department.

AUGUST 27, 2012

**ROLLA CITY COUNCIL
SPECIAL ROLLA CITY COUNCIL MEETING MINUTES
AUGUST 27, 2012
PAGE 4**

Mr. Butz said the Street Fund balance is getting to the point where we are becoming concerned. Like the Sewer Department, he said staff would like to keep it between \$500,000 and \$1 million. The primary revenue sources are the two, one-half cent sales taxes and the vehicle fee increase.

Public Works Director Steve Hargis informed the Council that following Hurricane Katrina, which occurred seven years ago this week, construction prices dramatically rose. Over the past six years, asphalt has increased by 60% and overall construction costs have increased by 30%. Mr. Hargis told the Council the Street Department is financed through taxes (sales tax and vehicle fee increases) and that increase over the past six years has been 1%. From that standpoint, he said it has become more and more challenging to be able to get the amount of needed work done because the revenue is just not there. Additionally, Mr. Hargis noted the General Fund subsidies increased by 68%. He said the City is dramatically eroding the ability to be able to keep up with the work. Mr. Hargis said the Public Works Department uses a very basic philosophy on how it approaches street maintenance. With total reconstructions, a street should last 100 years. In about 50 years, that same street is going to need a major repair (partial reconstruct). Mr. Hargis indicated an overlay should last 20 years and a seal coat should last 10 years. He said this is the thumbnail used to see how much money should be spent each year for maintenance. Currently, that thumbnail is \$3 million a year and the City is falling short of that every year. Mr. Hargis said the City is looking at a \$4 million deficit between what is being repaired and what needs to be repaired and most of that is in the partial reconstructions and complete reconstructions. Additionally, Mr. Hargis pointed out there is almost \$2.5 million worth of work that still has not been done in the Southside. He indicated the City does not want to shortcut the sealcoats and overlays because they are the short-lived improvements that cost a lot less per mile. Mr. Hargis noted it costs \$60,000 a mile to do a sealcoat and \$700,000 a mile to do a reconstruction. Mr. Hargis pointed out that \$140,000 would be coming out of the Street Department budget this year for street lighting, which was previously paid through the 0.5% franchise fee increase in the 2011/2012 fiscal year budget.

Regarding parking lot projects, Mr. Hargis informed the Council that much of the parking lot grant goes to build the streets that surround the parking lots. Although it is called a parking lot project, it is partially a street project. He pointed out sales tax is the revenue

ROLLA CITY COUNCIL
SPECIAL ROLLA CITY COUNCIL MEETING MINUTES
AUGUST 27, 2012
PAGE 5

source. The only way to try to increase the Street Department budget is to promote commerce. Mr. Hargis said it is his hope that parking lots would in turn promote commerce.

Mr. Butz then provided a review of the Parks and Recreation Department Fund. He noted the budget looks different this year because of the merger of the Park Department and the Recreation Center. The Parks and Recreation Fund has an unrestricted cash balance of \$197,664 with a projected restricted cash of \$4,230,000, presuming the existing park sales tax continues through 2013. He noted the Council has idly talked about whether to roll back the sales tax early, but it does not seem to be getting a lot of traction. Discussion followed concerning the future of the Park Sales Tax.

Discussion ensued regarding pay increases for employees who have taken on additional responsibilities due to early retirements.

Mr. Butz explained that according to the City's Personnel Rules, any employee is allowed to request a reclassification of their position. Probably two to three positions are evaluated each year. He said the Evaluation Committee looks at the job description to see if it has substantially changed enough that when it is run through the job evaluation rating system, it scores a higher point total to move into a higher grade. Mr. Butz said the quick answer is no one gets a lot of money in reclassification. Mr. Butz said we could literally go around in almost every department where employees are doing considerably more than their core job description, but the reality is we are still working only 40 to 45 hours a week. It is not as if we have doubled the workload from that perspective, we have just delegated other duties.

Mr. Butz referred the Council to the Parkland Reserve Fund, which contains the accumulation of dollars that primarily come through extractions of the subdivision platting processes. Additionally, if the City sells a park, the proceeds go into this account. Mr. Butz informed the Council that this account currently contains \$105,551. Although he said he is not anxious to spend down the dollars in this account, Mr. Butz said the South Central Regional Veterans Group (SCRVG) continues to make slow, gradual progress with the Veterans Memorial Park. He said one of the items that will be difficult for the SCRVG to fundraise, is for water line materials and electric. Some discussion followed concerning the condition of the Holloway House. Parks and Recreation Director Scott Caron said he has not heard of any serious issues with the Holloway House, since the installation of the new roof.

AUGUST 27, 2012

**ROLLA CITY COUNCIL
SPECIAL ROLLA CITY COUNCIL MEETING MINUTES
AUGUST 27, 2012
PAGE 6**

Mr. Butz then called the Council's attention to the City's personnel and compensation system. He pointed out each job title is matched with a pay grade and the pay grade has a 30% run from beginning to end. Before the downturn in the economy, approximately three years, typically when we had merit increases, two-step merit increases were allowed for a small percentage of the employees and a one-step merit increase for the majority of the employees. He estimated 15% of the employees did not receive a step increase at all. In this year's budget, Mr. Butz said while a 2% overall salary increase is proposed, staff is proposing a 1% COLA (Cost of Living Adjustment) that would be effective October 1, 2012. Additionally, a system-wide evaluation would be conducted for all employees on January 1, 2013. Any employee that qualifies (meets 60% of perfection) would qualify for a 1.5% merit increase that is paid over the next twelve months. Employees who have maxed out would receive a 1.5% bonus. Mr. Butz added that an increase in the City's health insurance premium is also a good possibility. Employees would look at the COLA as a way to offset the insurance premium increase.

Mr. Butz concluded the budget review by referring the Council to the Debt Service Schedule, which lists the City's outstanding long-term leases. He then entertained questions and comments from the Council regarding the proposed budget.

Mayor Jenks expressed his appreciation to Mr. Butz, Finance Director Steffanie Rogers, and the Department Directors for the work they did in preparing the budget.

The meeting adjourned at approximately 8:42 p.m.

Minutes respectfully submitted by City Clerk Carol Daniels.

CITY CLERK

MAYOR

AUGUST 27, 2012