

CITY OF FAIRVIEW

BOARD OF COMMISSIONERS SPECIAL CALLED MEETING

May 15, 2014

Beverly D Totty, Mayor
Stuart L Johnson, Vice-Mayor
Patti L Carroll, Commissioner
Allen Bissell, Commissioner
Toney R Sutton, Commissioner
Wayne Hall, City Manager
Larry Cantrell, City Attorney
Brandy Johnson, City Recorder

Present: Totty, Johnson, Bissell, Carroll, Sutton

Others Present: Hall, Cantrell, Humber, Daugherty, Johnson, Cooper, Paisley, Russell

1. **Call to order by Mayor Totty at 5:45 p.m.**
2. **Approval of the Agenda** – Vice Mayor Johnson made a motion for approval with Commissioner Sutton seconding. All were in favor.
3. **New Business – Discuss and/or Take Action on City of Fairview Budget for Fiscal Year 2014-2015.** CFO Daugherty notes the Finance Review Committee met and would like Commissioner Bissell to share. Commissioner Bissell shares three recommendations; 1) HRA program change after the end of the contract in November, have a short cycle next year to get on the same fiscal year cycle. Mayor Totty asks if this is line item 519 and 522. Bissell notes that 519 is the actual cost of the insurance contract and 522 is what he is speaking about where we budgeted \$60,000 but anticipate spending \$156,000. He notes that for every dollar Blue Cross Blue Shield has taken in from us they have paid out \$1.51. shouldn't be much change in premium but main change in the deductible that the City pays out up front, 2) operating expenses that are not employee related (salaries, insurance, utilities and other items out of our control) should have a reduction of 20%, 3) set a quarterly spending allotment on top of the budget reduction evenly dividing the yearly budget dollars and to go over the set amount would require City Manager/CFO approval. Bissell notes the general recommendation is to change spending patterns to align with revenue. Mayor Totty asks CFO Daugherty about the Octoberfest line item in revenues noting that it was \$4500 the last two years but why is there not currently. Parks Director Keith Paisley states they were asked to make cuts so they will not be doing the Haunted Trails but will do Family Fall Fun Day. Bissell notes that 318 is now Family Fun Day instead of Haunted Trails. Totty states she didn't know if it was an event you didn't want to continue or that possibly needed sponsorship. Paisley notes that may be something to look at if we could get 100% funding but the Family Fall Fun Day has grown in the last two years. CFO Daugherty notes that the City would like to host these events but not necessarily fund them. Mayor Totty asks about line item 36962 transfers from Facilities Tax of \$77,000 transferring in? CFO Daugherty notes that is to pay the City Hall note. Totty asks about debt service numbers on City Hall that are not adding up. CFO Daugherty notes that the \$77,000 should be \$81,000. Totty asks if the facilities tax was always around the note and it was \$108,000 and there was a discussion about what happens when the facilities tax is not enough? CFO Daugherty notes there was a \$51,000 transfer Crystal put in that was for this building payment that was part of the original budget ordinance. Mayor Totty asks about the debt service information and the road loan shows interest only. Daugherty states the loan is under State

Street Aid #931 and the interest is #616 and that both principal and interest can be paid out of State Street Aid. Daugherty notes he's been looking at the new sales tax figures and they are looking up but still not the \$100,000 growth we're looking for. He is concerned about cash flow and states that he's gone to the department heads five or six times and they've cut until it hurts. He states his budget as presented is not quite balanced with a \$412,000 shortfall with his sales tax projections. He asks Commissioner Bissell to share his projections. Bissell states he thinks we should take a conservative view and to look at all taxes collected not just sales tax and use as the base amount \$2.75 million with any extra going into reserves. Multiplying the sales tax from the month of May times 12 gives plenty to do that with. He notes our current situation is not the same as it will be in the future. He recommends we use a 6 month average for the sales tax revenues from December to May so we are not relying on Wal-Mart money and this would allow a balanced budget. Mayor Totty asked about flat lining the revenues from last year and Bissell answers that would mean a 47% cut in everyone's budget. Carroll adds she thinks it sounds dangerous to base the budget on only 3 months of projections. She states she thinks it's time for cuts that we've lived on an inflated budget for too long. If the money comes in we will do what we can and I know it's been hard for these departments as we don't have the reserves we used to. Mayor Totty agreed stating if on the sales items we added what we have as actuals we know the increase could be in the season ahead. Bissell restates that would mean a 47% cut of what is not personnel, utilities, related. He agrees with Carroll on all but one item and that is the projections for Wal-Mart as they are not what put us in the deficit. The fact that we were counting on that may have made it worse but if you look at the prior year the sales tax did not go up much and other categories, such as court fines, either didn't go up or dropped. We do need to cut but it wasn't just the Wal-Mart projections that put us here. I think we have to be conservative. I came up with six months because it was some of the old and some of the new and the more new you use you get a higher projection but also run a higher risk but it's really not fair to use some of the months prior to Wal-Mart which would include a normal Christmas season around here (not a Wal-Mart Christmas). Carroll asks what the projections for Wal-Mart projections were and Mayor Totty said \$456,000 and we went about half of that. Bissell notes we had about \$100,000 overage in HRA payments and \$100,000 less in traffic court which equals a \$200,000 swing. We would be talking an overage right now if not for those two items. Carroll asks if there is a plan in place to fix for the insurance. Bissell notes we are working on it and have to look at various aspects of it. Totty asks what will the total numbers be for June 30 on the insurance. Daugherty replies it's \$361,716 for Medical insurance with \$156,521 for the HRA which totals \$518,237 but would need to back out the payroll deductions for the total cost. Totty asks if we will end the 2013/14 budget year with a shortfall. Daugherty states we are looking at a \$112,624 shortfall. Commissioner Sutton asks what percentage of property taxes have been collected and Daugherty answers based on budgeted 93% and based on what was billed 98%. Carroll revisits the \$96,000 overage on insurance and projecting \$100,000 expense on medical reimbursement is that what you intend it will be with the change on line #519 and #522. Daugherty states it needs to be manageable change and thinks we can keep premiums about what they are now but we can have a 25-30% increase per enrollment period based on claims. Commissioner Sutton states we need to cut the first \$3,000 and the employee can handle that up front. Carroll states we can cut there but worry about the quality of service and where else can we cut? Sutton asks what the projections are for paying out the first \$3,000 are for this year and Daugherty replies \$156,000. Sutton responds if we cut \$1,000 that's a third of that already. Totty notes his projections for next year already reflect this cut. Daugherty notes he has spoken with Tim White about various options and fully intend to keep a rock solid plan for the employees. Bissell notes with all the revenue available to transfer in - \$77,000 in facilities tax, \$26,000 drug fund, \$125,000 street aid (which replenishes itself during the year) it totals \$5,478,000 in revenues. Steps we need to take to reduce the deficit include 1) cap the HRA at \$100,000 2) 50% cut in all allocations of computer and office equipment. Carroll notes that if we spend out of the restricted funds it's a nice solution but the fear is we will chip away at the restricted funds and then what will be in reserves when all is said and done? She continues that building a budget on projections seems dangerous. Commissioner Sutton asks if TML is the only vendor for #510 on property and liability insurance and Daugherty responds yes. Sutton asks why the 37% increase. Daugherty notes that is what the premium will be if we keep coverage as it is now. We really have no cash to afford paying a deductible so keeping 100%

coverage is advisable. We've had a lot of claims – more than ever according to TML. Most of our claims are driven by activity or workman's comp. Commissioner Carroll asks Donna Brooks of the Finance Review Committee to share her opinion. Mrs. Brooks states she thinks the figures Commissioner Bissell refers to seem reasonable. She continues that the city will probably be on a spending freeze for the next six months and if we get more than projected we can loosen up and spend only what we can't do without. No work stoppage but no fluff. Mayor Totty makes a motion for another special meeting on June 5 at 5:30 to address the revised budget draft. Commissioner Bissell will not be in town so the suggestion is to have it rather than the Town Hall meeting on May 29. Mayor Totty notes we already have Jeremy Durham as a guest for that meeting so Bissell suggests a 5:30 meeting on the 29th. Vice Mayor Johnson states he has already announced that he will not be here on the 29th but not to let that affect the decision. Commissioner Bissell made a motion for the special meeting to be on May 29th at 5:30 pm with the same agenda item as this meeting. Commissioner Sutton seconded. All were in favor.

- 4. Adjournment** - Commissioner Sutton makes a motion for adjournment with Commissioner Carroll seconding. All were in favor and meeting was adjourned at 7:00 pm.

Brandy Johnson
City Recorder