

FAYETTEVILLE CITY COUNCIL
SPECIAL BUDGET WORK SESSION MINUTES
CITY HALL COUNCIL CHAMBER
JUNE 17, 2009
4:00 P.M.

Present: Mayor Anthony G. Chavonne

Council Members Keith A. Bates, Sr. (District 1); Charles E. Evans (District 2); Robert A. Massey, Jr. (District 3); Darrell J. Haire (District 4); Bobby Hurst (District 5); William J. L. Crisp (District 6); Valencia A. Applewhite (District 7); Theodore W. Mohn (District 8); Wesley A. Meredith (District 9)

Others Present: Dale E. Iman, City Manager

Doug Hewett, Assistant City Manager

Karen M. McDonald, City Attorney

Patricia Bradley, Assistant City Attorney

Lisa Smith, Chief Financial Officer

Tracey Broyles, Budget and Evaluation Manager

Benjamin Nichols, Fire Chief

Ben Major, Fire/Emergency Management Assistant Chief

Christina Morey, Fire/Emergency Management Assistant Chief

Mike Hill, Battalion Commander

Tom Bergamine, Chief of Police

Fayetteville Police Department Staff

Rob Anderson, Chief Development Officer

Craig Hampton, Special Project Manager

Terrie Hutaff, Human Resource Development Director

Erica Hoggard, Human Resource Development Assistant Director

Jackie Tuckey, Communications Manager/Public Information Officer

Nathan Walls, Public Information Specialist

Members of the Press

Mayor Chavonne called the meeting to order at 4:00 p.m. and led in the Pledge of Allegiance to the American Flag followed by the invocation being offered by Council Member Haire.

Consider Fiscal Year 2009-2010 Budget.

City Manager Dale Iman began by presenting information on the sales tax revenue adjustment and an update on the revenue-neutral tax rate. He then proceeded to review a power point presentation providing the following information:

Sales Tax Revenue Adjustment

- Ø Original FY 2010 projection was \$33,492,325
- 6 months of data through December 2008
- Through December – statewide down 3%, local up 1.5%
- Ø Current FY 2010 projection is \$32,375,771
- 9 months of data through March 2009
- June 15 distribution significantly impacted by deferred refunds to nonprofits
- Through March – statewide down 8%, local down 5%

Sales Tax Revenue Adjustment Budget Impact

- Ø Revenue Adjustments
- Sales tax revenues (\$1,119,098)
- Property tax revenue \$40,209
- Ø Expenditure Cuts
- Sales tax reimbursements (\$216,165)
- Street resurfacing (\$325,000)
- Cap Police pay increase to 5% (\$154,224)
- Maxwell Street streetscape (\$150,000)

- Goodyear (\$100,000)
- Police – various operating cuts (\$58,500)
- BRAC (\$50,000)
- Allocate portion of Downtown Manager to CBTD (\$25,000)

Revenue-Neutral Tax Rate Update

- Ø Original projected neutral rate prepared in April.
- Ø Actual personal property values now available.
- Ø More complete information now available for motor vehicles, real property appeals, and exemptions.
- Ø Revised neutral rate prepared as of June 17 based on latest date from the County Tax Office.

Reappraisal and Property Tax Base

Estimating the FY 2010 real property tax base:

	<u>Original</u>	<u>Current</u>
Original Real Property Notices	\$11,305,231,780	\$11,305,231,780
Est. Appeals Reduction	(139,014,186)	(226,438,579)
Existing Exemptions	(118,734,801)	(120,665,020)
Est. New Exemptions	(156,480,974)	(108,993,868)
Total	<u>\$10,891,001,819</u>	<u>\$10,849,134,313</u>

Reappraisal and Property Tax Base

Estimating the total FY 2010 tax base:

	<u>Original</u>	<u>Current</u>
Real Property	\$10,891,001,819	\$10,849,134,313
Personal Property	519,868,950	456,771,554
Motor Vehicles	1,097,787,249	1,042,936,876
Public Service Property	147,481,365	147,481,365
Total Est. Taxable Property	<u>\$12,656,139,383</u>	<u>\$12,496,324,108</u>

Revenue-Neutral Tax Rate Analysis

Est. FY 2009 taxable values	\$10,449,723,504
Est. FY 2009 levy at 53 cents	\$55,383,535
Plus 3.1% natural growth rate	\$57,100,424

	<u>Original</u>	<u>Current</u>
Est. FY 2010 taxable values	\$12,656,139,383	\$12,496,324,108
Revenue-neutral tax rate	45.1 cents	45.7 cents
Est. FY 2010 revenue-neutral levy	\$57,079,189	No Change

Current Proposed Tax Rate

Proposed Tax Rate	46.4 cents
Estimated FY 2010 Total Taxable Values	\$12,496,324,108
Estimated FY 2010 Levy	\$57,982,944
Estimated Additional Revenue Beyond	\$851,563
Revenue-Neutral Rate (est. 97.35% collection rate)	

Current General Fund Budget Proposal

- Ø Proposed General Fund Budget is \$137,419,830
- Ø Proposed tax rate – 46.4 cents per \$100 value
- Ø Addressed sales tax reduction
- Ø Added back 2% general employee performance pay
- Ø Cut 3 police replacement vehicles to set aside operating funds needed if 21 additional grant positions are approved
- Ø FY 2010 proposed budget is only 2.2% higher than FY 2009 original budget - Includes 51 additional police and fire positions an enhanced transit services

Future Challenges and Issues

- Ø Uncertainty associated with recession
- Ø Uncertainty associated with state budget
- Ø Assume full funding for police and fire positions
- Ø Fully implement pay for performance and achieve market competitive pay for all employees
- Ø Adequately fund capital improvement needs
- Ø Fund vehicle and technology replacements at proper levels

Mr. Iman and Ms. Lisa Smith, Chief Financial Officer, then proceeded to respond to questions from Council members regarding the sales tax revenue adjustments such as street resurfacing, the multi-modal center, and trains.

City Attorney Karen McDonald clarified there was a municipal agreement on the trains so the money would not be available. She also informed Council that there were options for four of the seven properties and that one was under contract.

Mr. Iman, Ms. Smith, and Ms. Tracey Broyles, Budget and Evaluation Manager, continued responding to questions regarding the sales tax revenue adjustment and reappraisal appeals. Discussion then ensued regarding the tax rate and Mr. Iman informed Council that from information that was recently received 45.1 cents would not be revenue neutral and would not generate \$57 million in taxes. He stated that the proposed 46.4 cents tax rate would include the pay for performance raise and the current revenue-neutral tax rate is 45.7.

Several Council members expressed concern with raising the tax rate.

MOTION: Mayor Pro Tem Meredith moved to direct the City Manager to present a budget ordinance with a tax rate of 45.1 cents at the June 22, 2009, City Council meeting and to present any additional information for consideration in writing to Council by close of business June 19, 2009.

SECOND: Council Member Bates

SUBSTITUTE MOTION:

Council Member Applewhite moved to adopt the City Manager's recommendation of a proposed tax rate of 46.4 cents.

SECOND: Council Member Evans

Discussion ensued on the revenue neutral tax rate and the proposed tax rate.

SUBSTITUTE MOTION VOTE:

FAILED by a vote of 3 in favor (Council Members Applewhite, Evans, and Haire) to 7 in opposition

FRIENDLY AMENDMENT TO ORIGINAL MOTION:

Council Member Massey moved to revise the original motion from 45.1 cents to the revenue neutral rate of 45.7 cents.

The friendly amendment was not accepted.

ORIGINAL MOTION VOTE:

FAILED by a vote of 5 in favor (Council Members Crisp, Bates, Chavonne, Meredith, and Hurst) to 5 in opposition (Council Members Applewhite, Haire, Evans, Massey, and Mohn)

MOTION: Council Member Massey moved to direct the City Manager to bring back a budget reflecting the 45.7 cents revenue neutral tax rate.

SECOND: Council Member Haire

Discussion ensued on how the 45.7 tax rate would affect the City of Fayetteville with Mr. Iman informing Council they would have to reduce the present budget by \$851,000 which he felt could not include the pay raises for employees.

VOTE: FAILED by a vote of 5 in favor (Council Members Applewhite, Chavonne, Meredith, Hurst, and Massey) to 5 in opposition (Council Members Crisp, Bates, Haire, Evans, and Mohn)

MOTION: Council Member Mohn moved to direct the City Manager to present a budget ordinance with a tax rate of 46.1 cents so they could try to get the employees a pay raise.

SECOND: Council Member Applewhite

VOTE: FAILED by a vote of 3 in favor (Council Members Applewhite, Haire, and Mohn) to 7 in opposition

MOTION: Council Member Bates moved to direct the City Manager to present a budget ordinance with a tax rate of 45.1 cents.

SECOND: Council Member Meredith

VOTE: PASSED by a vote of 6 in favor to 4 in opposition (Council Members Applewhite, Evans, Massey, and Mohn)

There being no further business, the meeting adjourned at 6:30 p.m.