

FAYETTEVILLE CITY COUNCIL
SPECIAL BUDGET MEETING MINUTES
LAFAYETTE ROOM
MARCH 22, 2011
5:00 P.M.

Present: Mayor Anthony G. Chavonne
Council Members Keith Bates, Sr. (District 1); Kady-Ann Davy (District 2); Robert A. Massey, Jr. (District 3); Darrell J. Haire (District 4); Bobby Hurst (District 5); William J. L. Crisp (District 6); Theodore W. Mohn (District 8); James W. Arp, Jr. (District 9)
Absent: Council Member Valencia A. Applewhite (District 7)
Others Present:

- Dale E. Iman, City Manager
- Kristoff Bauer, Assistant City Manager
- Karen M. McDonald, City Attorney
- Lisa Smith, Chief Financial Officer
- Tracey Broyles, Budget and Evaluation Manager
- Nathan Walls, Public Information Specialist
- Members of the Press

Mayor Chavonne called the meeting to order.

Fiscal Year 2011-2012 Budget

Mr. Dale Iman, City Manager, presented this item and provided an overview of the presentation. He stated they would be discussing the impact of the census count, the unavoidable cost increases, the unexpected cost decreases, the need to address employee wages both short term and long term to recruit and retain workforce, and the zero sum budget. He provided an overview of the budget process to date and emphasized the preliminary revenue projections were based on the best information they had to date and the estimates would change as more information was gathered. He reviewed the following preliminary revenue projections:

- Preliminary estimates only – best information available
- Estimates will change
- Have not received guidance on state shared revenues
- Projections reflect the impact of the 2010 Census
- Federal and state impact on budget is not known
- Have not included any revenues/expenditures for Gates IV annexation

Discussion and a question and answer period ensued regarding where the funds would come from if the Gates IV annexation were approved with Mr. Iman explaining there would be a budget amendment to appropriate from the fund balance to cover the expenditures. He stated the revenues would come in after the taxes were levied.

Ms. Lisa Smith, Chief Financial Officer, stated revenue projections were not completed on the revenues received from fees such as recreation and permits. She stated they were focusing on the revenue sources contributing over 70 percent of the general fund revenue strength which included property tax, sales tax, and state-shared revenues received, as well as the transfer from the Public Works Commission. She explained the 2011 original budget was compared to the 2012 original budget and provided an overview of the following preliminary revenue projections:

	Increase/(Decrease)*
Property Tax	\$1,113,000.00
Sales Tax	1,504,000.00
Beer and Wine	(15,000.00)
Powell Bill	68,000.00
Census Impact	(923,000.00)
SAFER Grant (Firefighters)	(224,000.00)
PWC Transfer	(108,000.00)

Total of Above	\$1,415,000.00
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*Change over FY 2011 Original Budget

Ms. Smith explained the figures for the sales tax, beer and wine tax, and Powell Bill were before the impact of the census change.

Discussion ensued regarding the SAFER Grant with Ms. Smith explaining the revenue source would ultimately go away. She stated the decline was anticipated but other revenues were not substituted to replace it and now was impacting the rest of the general fund budget. She provided an overview of the following general fund base budget requests:

	FY 2011 Original Budget (In Millions)	FY 2012 Budget Request* (In Millions)	Change
Personnel	\$ 81.7	\$ 82.8	\$1.1
Operating	19.8	21.8	2.0
Contract Services	11.9	12.9	1.0
Capital Outlay	5.1	5.6	.5
Other	15.7	19.6	3.9
Total	134.2	142.7	8.5
F/B Appropriation	(2.9)	(5.6)	(2.7)
Total, Net of Fund Balance	\$131.3	\$137.1	\$5.8

*Includes Proposed FY 2012 Pay Adjustments and PROP Program

Discussion and a question and answer period ensued regarding pay adjustments with Ms. Smith explaining pay adjustments included 2 percent for general employees and 4 to 5 percent step increases for police (5 percent for police officers and 4 percent for upper ranks).

Discussion and a question and answer period ensued regarding the contract services with Ms. Smith explaining it was primarily the election cost that occurs every other year, Goodyear, and the landfill fees submitted for street sweeping. Mr. Iman explained the majority of the street sweeping was for NCDOT roads maintained by the City. He informed Council that NCDOT was put on notice for negotiations to increase the rate.

Ms. Smith explained the capital outlay was primarily for vehicle replacement. She stated Information Technology (IT) was included in the other category. Mr. Iman interjected and stated the issue with IT was not the investment by Council but the investment in human resource. He stated they do not have the people to implement the software and the hardware. He stated they have \$500,000.00 remaining in the line item for new computers for the current year but do not have the people to deploy those units and do not have the people to do the training. He stated people were coming in and getting a few months training and then going to Fort Bragg.

Discussion and a question and answer period ensued regarding the human resource issue of IT not being able to retain employees and the possibility of redirecting some of the hardware for contract services. Mr. Iman explained the wages were an ongoing expense and they would not have the revenue to make it up next year. He stated they have hired contract employees within the last three weeks that were desktop supporters and not trainers. He stated the money that was designated for the computers was put there for a reason because they had identified computers that needed to be replaced. He stated the School of Government was doing a study and they would move forward from that. He stated the long-term picture had to be solved and he was hearing Council say that the priority was putting more money into IT in the long term.

Mr. Kristoff Bauer, Assistant City Manager, further explained the equipment replacement process and the virtualization process. He stated they have accomplished virtualizing the servers but virtualizing the desktops would be more complex and do not have the employees skilled for the project. He stated they lost the employees who were trained for the project. He stated they were contracting temporary desktop support to assist with handling the day-to-day

operations. He stated they were also working on hiring an outside contractor for higher technical support for the rollout of the virtualization program which would allow them to put items on a desktop that cost less and replaced less often, therefore reducing over time the requirement to buy new computers. He stated there would be a presentation to Council at the April work session regarding this issue.

Ms. Smith proceeded to provide an overview of the following significant expenditure impacts:

	Increase/ (Decrease)*
CountyLandfillCharges for Street Sweeping	\$ 180,000.00
PROP Program	132,000.00
Election	215,000.00
Utilities	439,000.00
Fuel	556,000.00
Vehicle Maintenance	746,000.00
Salaries (Before Proposed Pay Adjustment)	(612,000.00)
Healthcare	(470,000.00)
Retirement	415,000.00
Performance Pay/Step Increases	1,887,000.00
Capital Improvement Plan Contributions	3,266,000.00
Total of Above	\$6,754,000.00

Discussion and a question and answer period ensued regarding the fuel usage as a result of the idling policy and hybrid buses with Ms. Smith stating if there was a decline in fuel usage they could not state it was exclusively idling but would hope it contributed to a reduction in the use of fuel.

Discussion ensued regarding the increase for vehicle maintenance with Ms. Smith explaining this was primarily the contract with PWC for vehicle maintenance which was the internal service fund. She stated PWC developed the budget for vehicle maintenance, decided how many mechanics, and decided all the assets needed to manage vehicle maintenance and then that cost was split between the City and PWC based on utilization of the services.

Mr. Iman stated it was important to note that of the \$8.5 million increase, \$6.75 million was coming from either Council directed capital expenditures or uncontrollable increases. He stated they would need to know which of the following departments the Council had an interest in seeing enhancements and where to take the money from to balance it:

Administration	Human Relations
Community Development	Human Resources
Development Services	Information Technology
Engineering and Infrastructure	Legal
Environmental Services	Parks and Recreation
Finance	Police
Fire	Transit

Mr. Iman provided an overview of the following potential expenditure reductions to balance the budget:

- Reduce Workforce – Reducing currently vacant positions, hiring freezes, selected reductions in force
- Reduce Services
 - NCDOT maintenance
 - 4 10-hour days
 - Leaf collection
 - Recreation center hours

- Reduce/Defer Capital and Maintenance Expenditures
 - Sidewalk installation
 - Parking lot improvements
 - Vehicle replacement
 - Playground improvements
 - Building maintenance

Mr. Iman stated potential revenue enhancements would include increasing existing fees and establishing new fees such as solid waste collection and others.

Discussion ensued regarding making personnel reductions more visible to the public; the issue of losing employees in various departments; going to a 4-day 10-hour workweek; and all employees, including salaried, furloughing 2 hours a month.

There being no further business, the meeting adjourned.