
MINUTES OF THE CITY COUNCIL, CITY OF CONWAY, ARKANSAS

Conway, Arkansas
Tuesday 6:30 p.m.
February 12, 2010

On this date the City Council of the City of Conway, Arkansas met in special session. The following members being a quorum, were present and acting; Alderman Hawkins, Alderwoman Smith, Alderman Grimes, Alderwoman Mehl, Alderwoman Whitmore, Alderman Vaught, Alderman Jones, and Alderman Rhodes. Also, present and acting: Mayor Tab Townsell, City Clerk Michael Garrett, and City Attorney Michael Murphy.

Call to Order

Roll Call

Minutes:

Announcements/Proclamations/Recognition:

A. Finance

1. Discussion of City's General Fund Reserve

Mayor Townsell stated it was recently discovered that the city's general fund reserve, which we keep at approximately \$3 million dollars, had fallen to \$1.2 million which is too low to sustain. The city has to have reserve funds to float the city for many reasons such as when bills fall early in the year, when property tax revenues decline, and also in the event of unforeseen emergencies. Mayor Townsell stated the information provided to council during the budget process was wrong as were the assumptions built into the 2010 budget. Robin Scott, CFO, explained the \$3,845,531.00 was the audited fund balance at the end of 2008; what was not reflected in that was \$993,000.00 we knew had come in that year and previous years, from franchise fee revenues which were assigned to pay bond payment. That amount actually included an assigned fund balance portion and an unassigned; the unassigned was closer to \$2.5 million. Ms. Scott explained when we budgeted for 2009, revenue equaled expenses and the top portion of that page shows revenue items that came in above or below budget, the largest being sales tax; almost every single revenue item came in less than we had projected last year. We felt that when we prepared the 2009 budget we were conservative and those numbers were attainable. Moving on down the page you will see expenditure variances, these items show how each function compared to their budget, and that is compared to the revised budget. Ms. Scott stated the next item is departmental budget rolls; this is basically money that was in the 2008 budget that got rolled over, in our system, into the 2009 budget. The positives on the upper portion net against the million on the lower portion of the sheet. Ms. Scott explained that the largest item listed is the police department budget and we have been aware of that issue for a period of time and have been trying to determine why they were over budget and if that

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number is accurate. Alderwoman Smith asked Ms. Scott why council was not informed once she knew the numbers were inaccurate. Ms. Scott explained in October she was informed that overtime would be approximately \$74,000.00 over budget; we also had an account that was under budget by approximately \$60,000.00 and Ms. Scott felt like that was covered. Ms. Scott explained that during the budget process we discussed that the police department would need to budget more overtime for 2010. Alderwoman Smith stated so we went over budget \$450,000.00 from October to January. Ms. Scott stated she would have to look back month to month, but when she asked why we were over budget in this line item and what would need to be done was when she was given the \$74,000.00 figure. Alderwoman Smith stated that does not add up if we knew in October we were \$60,000.00 over on salaries at that point. Ms. Scott stated that was a projection on where they would be for the year. Ms. Scott stated if you look at the police salary accounts you will see some overage knowing that they are going to come back at the end of the year and have their reimbursement money that will cover overtime; they have an ordinance to present of money that has been paid in that has not yet been recognized. Alderwoman Smith asked Police Chief A.J. Gary if he knew he was over budget. Chief Gary stated in October, no. Alderwoman Smith asked if Chief Gary and his staff have communications with finance in regards to how much money you have left in the budget. Chief Gary stated yes his assistant and Jamie, in finance, speak quite regularly. Alderwoman Smith stated but neither of you noticed that you were \$450,000.00 over budget. Chief Gary stated he does not know at this point because he has not seen all the break downs of the \$450,000.00; the built in overtime for one-half the year was roughly \$156,000.00 so anything beyond that he does not have an answer for. Ms. Scott went onto explain that this schedule shows preliminary numbers we've identified and the pending audit entries is a number that we have not yet booked and run through our system. The fund balance appropriations of \$777,698.00, and the schedule attached, details each one of those line items. Alderwoman Mehl asked if the police overtime for the Christmas season was included on the first schedule discussed. Ms. Scott stated that should not be included. Ms. Scott stated the last items highlighted on were the bond payment debt service, and other transfers in and out which brought us down to what we projected the fund balance to be (\$1,207,723.00). Mayor Townsell stated to summarize this there are four primary issues; January 1, 2009 instead of \$3.8 million we were closer to \$2.8 million; the \$993,000.00 for the economic development bond should not have been placed in a separate account. Next we were off a net of \$450,000.00 in declining sales tax revenue from last year, we were over \$486,000.00 in police salaries that caught both finance and the police off guard, and then the \$777,698.00 in fund balance appropriations that were made under the pretense that we were in sound financial shape. Mayor Townsell stated what we need to do now is to determine how to get our reserve up to \$2.5 million and Ms. Scott will present our plan. Ms. Scott asked council to refer to schedule of the projected fund balance (as of Dec 1. 2010) along with a detailed

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listing of departmental operational cuts where each department head felt like they could cut their budget with the understanding that we had to get the fund balance up to \$2.5 million. Ms. Scott stated this list details by department, every line item they would like to recommend a cut as opposed to personnel cuts; we split these between operating costs and program costs that were budgeted. The departmental cuts were \$1.2 million and another \$192,000.00 for program costs and this would increase fund balance by \$1.4 million. There were two additional revenue items that were identified during this process that had not yet been incorporated into the budget so those have been added in; so the plan would result in a fund balance of \$2.782 million by year's end. Mayor Townsell stated the one large item we decided not to purchase are two fire trucks this year; one was going to be purchased with sanitation money and one with pay as you go one quarter cent sales tax money. We are asking to purchase one fire truck this year instead of two and pay for it for it out of pay as you go monies and take the money that was planned for the second fire truck from sanitation and put that money into the general fund reserve which would be a saving of \$455,000.00. Mayor Townsell explained that the program cuts which include the economic development contract with the Chamber of Commerce, the agricultural/horticulture contract with the University of Arkansas Co-op, the transportation contract with Senior Citizens, the Faulkner County Council on Developmental Disabilities (FCCDD), Boys & Girls Club, and Downtown Partnership could be saved if council wishes, and we could still get over the \$2.5 million. Alderman Vaught asked if this is something we would need to decide tonight. Mayor Townsell stated we have an ordinance to pass tonight, you may pass it without these and come back and add them back in later if council desires. Alderman Grimes stated we could also take them off the budget now but add them back in later. Alderman Jones stated we should consider these organizations more in depth since these organizations depend on this money. Mayor Townsell stated because the Senior Citizens and the FCCDD are transportation related those could legally be moved from general fund budget to street fund budget. Alderwoman Smith stated Senior Citizens, FCCDD, and Boys and Girls Club are three she would like to add back. Alderman Vaught asked if the three taxi companies could help with the transportation for these programs. Alderman Jones stated he is not sure some of the taxi cabs could accommodate some of the seniors. Mayor Townsell stated that we cannot subsidize a for profit company. Alderwoman Mehl asked when could we come back and possibly add the transportation programs back to the budget. Mayor Townsell stated these cuts will accumulate over the year and all we will get out of this is what we are showing from the cuts. Mayor Townsell stated what would change is new revenue in a new budget year for 2011 or if we actually see revenue move upward this year rather than going down. Mayor Townsell stated he thinks if we generate a report for council after closing the books out every month and review it at the first council meeting of the month would be appropriate, that number is going to vary widely as payroll in general fund is \$750,000.00 every two weeks. Alderman Vaught

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stated that city ordinances specify that we are to have committees of city council members that are set up to oversee some of the day to day activities of city government and proposes that we look seriously at re-instating those committees, specifically in this case it would be the budget and finance committee. Alderman Vaught stated he is not interested in micro-managing nor in making recommendations as to how day to day activities of the city work, but city council oversight could have been invaluable in maybe preventing this situation. Mayor Townsell stated the reason why we moved away from that breakdown of the committee system is that the information that a smaller budget finance committee would have really is needed by all eight council members, so we moved into a system where we function as a committee of the whole for everything. Mayor Townsell stated he feels we should give council more information on budget and finance matters but, he does not feel it serves us as a whole to separate a group out for each committee because each council member needs to have all of this information. Mark Vaught stated but we have not had it. Alderwoman Smith thinks council should be given an expenditure and revenue report every month. Mayor Townsell stated as long as we have time to close the books each month prior to the first meeting. Ms. Scott stated that she has developed reports that will break salary accounts by month taking into consideration the 3 pay periods. Mayor Townsell stated council will need to know how to interpret these reports. Alderman Vaught asked if the general fund operates out of a single bank account. Ms. Scott stated we have one operating bank account that covers several funds. Alderman Vaught asked what the advantage would be by separating these funds out into separate bank accounts, specifically the general fund reserve. Alderman Vaught stated when he hears "general fund reserve" he feels like that should be a savings account, not a checking account. Mayor Townsell stated the general fund reserve is not a savings account nor is it funds set aside that can put into a CD; you cannot break the general fund reserve out from the general fund. Alderman Vaught stated it is a part of it now but is there a way to change our general accounting practices to where it can be a separate account. Mayor Townsell stated no not completely because you always have to have the money to carry the float as revenues and expenses come in at different times; you can carve a part of it out which we do by putting it in CD's when we have the available funds to do so. Alderman Grimes stated any given day you can move money out into a separate fund but when payroll hits you would need to move it back to cover payroll and you would be moving money back and forth on a regular basis. Alderwoman Smith asked if it would be better if sanitation were broken out into their own account so all the general funds are kept in one account. Mayor Townsell stated that can be done. Alderwoman Smith asked what the private car mileage is listed on the form. Mayor Townsell stated when someone is reimbursed for mileage when using their own vehicle to run errands locally or to travel to a conference etc. Alderwoman Smith asked if there are ever any city cars at city hall that can be utilized for this instead of driving ones personal vehicle. Mayor Townsell

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stated yes. Alderwoman Smith asked Chief Gary if meals and lodging is something he could cut from his budget. Chief Gary stated we have already cut conferences and any out of town travel and training. Alderwoman asked if it is in additions to what is listed. Chief Gary stated it is not on there we are cutting within our line item. Alderwoman Smith stated it is just not listed on here and wanted to know if you could also cut conferences, air fare, and subscriptions. Chief Gary stated there are different subscriptions some are software that we have to have but anything in those line items that we can cut we will. Alderwoman Smith stated so it will be in addition to what is listed. Chief Gary stated yes we can and stated will do more in house training the best we can without having to send people outside of the department. Alderman Vaught asked Chief Gary whose overtime is it you are cutting out. Chief Gary stated that is the four hours built in overtime that we went to, to get more officers on the street; we will be adjusting those four hours out in other word there will not be any built in overtime for those shifts. Alderman Vaught stated he is concerned that in effect we are starting to cut salaries in the police department and feels we should take a closer look at this one because these people may have come to depend on that money. Mayor Townsell stated that is a good point this is affecting their take home pay, their salaries is listed at what they get for 80 hours. Alderman Jones stated it is not affecting their salary just the overtime. Mayor Townsell stated to make sure everyone is clear the built in overtime for all firefighters is actually considered part of their salary. Mayor Townsell recommended opening the floor to public comment. Alderwoman Smith motioned to allow public comment. Alderman Whitmore seconded the motion. Alderman Jones suggested putting a time limit on individual public input. The motion passed 8-0. Damon Reid, city firefighter, stated we appreciate all department heads that are making sacrifices so no one has to take a pay cut, but the fire department has sacrificed a fire truck and \$233,000.00, so we feel like we are taking the lion's share of building the reserve back up. Mr. Reid stated our fleet is old and we have only purchased one new fire truck since 1998; we are also cutting \$10,000.00 from our fleet maintenance budget so you will be voting on money for repairs to the fleet. Mr. Reid stated it is his understanding that from 2005, we rededicated the one-half cent bond issue that did purchase the one truck we have purchased; we did buy a rescue truck and a bomb truck as well but that was paid for with federal grant money. Mr. Reid stated that he understands that the same money is also being used to build streets, the overpass, and various projects at HP and as a citizen appreciates this but asked that you consider holding back on some of the streets, maybe the interchange for HP to look at getting the fire department the second fire truck because our reserve is in service all the time. Mr. Reid asked if there is any city property that can be sold. Mayor Townsell stated there are some options in that regard. Mr. Reid asked if you are considering those options to avoid pay cuts. Mayor Townsell stated not at this time, we can make that suggestion to council but at this point we identified some positive things that we could attain quickly. Jack Sotallaro, resident and business owner, stated he understood that the city

would have more police patrols when the overtime was added to the police officers budget; either we need it or we don't, if so, and it is justified, then the city needs to find a way to put that overtime back in the budget. The same goes for the fire dept, the city does not need to run old vehicles or run vehicles that break down. When you talk about police and fire in Conway you are talking about people's lives and they have to come first; whatever can be done to get them back where they need to be, needs to be done, even it takes longer to restore the reserve. A Conway resident (name inaudible) wanted to know if the city had considered rather than cutting pay of the employees possibly cutting back on benefits on a temporary basis. Alderwoman Mehl stated the recommendation was not to cut hours/pay. Mayor Townsell stated the benefits are very important to our employees too. Alderwoman Smith asked on whenever the quarter cent was voted in what was that for. Alderman Vaught stated salaries. Alderwoman Smith asked if it is lined itemed out in the budget strictly for salaries. Mayor Townsell stated no, actually we have increased salaries and benefits even more than what we collect. Mayor Townsell explained we may be able to find a way to get the second fire truck from the quarter cent sales tax that we use for streets. Alderman Grimes stated another reason we are in this shape is due to the decline in sales tax collections which were off budget by \$736,000.00 and if this trend continues that is where the general fund reserve is used. Alderman Grimes went onto say that the monthly reports will show us where we are and when we can see a positive trend, we can start to reverse some of these cuts. Mayor Townsell stated it would be appropriate to post those reports on our website so the public can view them as well. Cheryl Harrington, Sanitation Director, stated she would like to know how much is in the sanitation reserve on a monthly basis so she knows where her department stands. Mayor Townsell assured Ms. Harrington that the sanitation reserve is in good shape and the reports will show line item break downs.

2. Ordinance adopting budget adjustments for the FY 2010 Budget for the City of Conway.

O-10-11

Mayor Townsell suggested that we do not include the six program line items at this time as we have not talked to the various organizations. Mayor Townsell stated this ordinance will adopt these itemized line by line operational cuts. Alderwoman Smith motioned to waive the readings of the ordinance. Alderwoman Whitmore seconded the motion. The motion passed 8-0. Alderman Jones motioned to adopt the ordinance and the emergency clause. Alderwoman Mehl seconded the motion. Mayor Townsell asked if the motion was with the program cuts. Alderman Jones stated without the program cuts. There was no discussion. The clerk called the roll with the following voting "Aye": Alderwoman Mehl, Alderman Hawkins, Alderwoman Smith,

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Alderman Rhodes, Alderwoman Whitmore, Alderman Grimes, Alderman Jones, and Alderman Vaught. The motion passed 8-0.

Alderwoman Smith motioned to suspend the rules to convene to executive session to discuss employee/personnel issues. Alderman Hawkins seconded the motion. The motion passed 8-0. Mayor Townsell called the meeting back into session. Mayor Townsell explained the city council took no action during executive session.

Old Business

New Business

Adjournment

PASSED this 12th day of February 2010

APPROVED:

Mayor Tab Townsell

City Clerk Michael O. Garrett