



City of Jonesboro

Municipal Center
300 S. Church Street
Jonesboro, AR 72401

Meeting Minutes City Council

Monday, December 12, 2016

5:30 PM

Municipal Center

Special Called Meeting

1. CALL TO ORDER BY MAYOR PERRIN AT 5:30 P.M.

2. ROLL CALL BY CITY CLERK DONNA JACKSON

Mayor Harold Perrin was in attendance.

Present 10 - Darrel Dover; Ann Williams; Charles Frierson; Chris Moore; John Street; Mitch Johnson; Gene Vance; Rennell Woods; Todd Burton and Bobby Long

Absent 2 - Chris Gibson and Charles Coleman

3. NEW BUSINESS

[COM-16:109](#)

Discussion concerning the proposed 2017 Budget

Attachments: [2017 Budget.pdf](#)

Mayor Perrin stated the purpose of tonight's meeting is to review the 2017 Budget. He said most of council was given the 2017 Budget Packet prior to Thanksgiving and that tonight is just a question and answer session. He stated they will go through the budget, but he has a few slides to go through in the very beginning which will highlight activity in 2016 and in 2017.

Mayor Harold Perrin presented a PowerPoint Presentation on the 2017 Budget for the City of Jonesboro. He said that we are still showing an upward trend for sales tax which he thinks is good for 2016. Mayor Perrin stated that they went back over five years on all of the trends with the average growth over the past five years of 3.6%. He stated the growth in 2016 is anticipated to be approximately 5%.

Mayor Perrin stated the revenue from building permits had a tremendous year and was up 22%. Other revenue in the City was slightly up with some exceptions, one was franchise fees. Franchise fees have fallen behind a little bit. The primary reasons for that are based on declining landline usage and smaller tax rates for cell phones coupled with lower revenue from declining natural gas usage sales due to a warmer winter season this past year.

Mayor Perrin stated the fuel costs came in much lower than expected. The City spent 45% less on fuel than they were anticipating in their budget for that. One thing is volume and the other thing is price. We follow both of those very closely.

Mayor Perrin stated there was an overall increase of 5.63% in operations and maintenance expenditures for the 2017 Budget. There was an 11% increase in

salaries and benefits. We had a 2.3% decrease in assets and minor equipment and furniture line items. The capital improvement budget was decreased by 35.8%. Some capital improvements can possibly be done during the year or the later part of the year, but we do not know and we are not budgeting for that until we have at least 6 months under our belt before we go back into those capital improvements.

Mayor Perrin said he wanted to talk about excess reserves. In January 2017, we will anticipate starting with an excess of \$27,561,401. From that, we will have to utilize \$494,131 for capital improvements and \$3,387,016 for operations and maintenance. If you go down to January 2018, we would anticipate if all things stayed the same in 2017, we would start the year with excess reserves of \$23,680,254. In order to balance our budget, we will have to pull down \$3.5 million for capital improvements and \$1.8 million for operations and maintenance based on 5 year projections given to us by our Department Heads.

Starting in January 2019, excess reserves will be brought down from \$23,680,254 to \$18,367,263. In 2019, we anticipate that we will have to utilize \$3,500,000 in capital improvements and \$2,227,580 for operations and maintenance. By the end of 2019, the excess reserves will be brought down to \$12,639,683. Mayor Perrin stated he wanted to make sure that everyone knew that these figures do not include any extraordinary expense items that may occur. We do not know what will happen in any of these years. There are things that are out of our control like the ice storm of 2009 in which we had to pay out \$1.9 million to clean up our city. It took us 18 months to get that \$1.9 million back from FEMA and the Department of Emergency Services.

Councilman Darrel Dover asked if the amount included the required reserves by ordinance or is it embedded into that figure. Mayor Perrin stated he thought that was embedded in that figure. Our ordinance requires that 15% of the O&M Expense is set aside as a reserve. Each year the reserve requirement will grow up as our O&M expenditures go up.

Mayor Perrin said the Finance Committee asked if the 15% was adequate or if we needed to come up with a new figure. For budgetary purposes, we kept that same 15% for this coming year. He said, in his opinion, as the expense goes up, your required reserves is going to be brought down and you need to be careful. He thinks the city should have a minimum of 3 months of operating expenses as reserves because you never know what is going to happen. Based on our five year history, 15% is fine when you are building reserves. However, 15% is not as good when you are going down in your excess reserves.

Councilman Dover asked what amount of the 2017 budget is for required reserves. Mayor Perrin stated he did not have that. CFO Suzanne Allen said it was already removed. She said it was taken into consideration. Councilman Dover stated he was trying to make sure the 15% is not included in the \$27 million. He asked if the 15% was set aside. Ms. Allen said that was correct. Councilman Dover said that he looks at the \$27 million like our checking account. Ms. Allen said that is referred to as excess.

Mayor Perrin said they have pulled several million dollars down from reserves this year for things they did not budget for. An example of that would be the \$1.6 million used for channelization and stabilization. The next thing was that we had to buy two excavators that were not in the budget and when you add all of the things up, it comes somewhere to around \$14 million dollars. He said we have already had some of those things passed in an ordinance, but you might have some in a cleanup ordinance.

Councilman Dover asked Ms. Allen if the figures presented represent a flat increase in revenue or are we projecting our revenue to increase at a certain level. Ms. Allen stated they have projected revenue to increase by 4%. She said the expenses include a slight increase for the extra excess reserves that we think we need as expenses increase due to inflation.

Mayor Perrin said they are looking optimistically into the future and anticipate the economy will increase and our sales tax will increase. A majority of our revenue comes from a 1% sales tax. Most of our expense comes from personnel and it is hard to play catch up.

Mayor Perrin stated there are three things they will be looking at changing for this upcoming year. He said we are looking at revenue enhancement of fees. We are making comparisons with other cities to see if the fees we charge are low. The second thing is looking for other sources of revenue that we don't have on the budget now. The other thing will be that we will be watching expenses pretty closely. We are going to have to this year. It is a good budget. It is a very solid budget. He wants to commend the Finance Committee and all of the Department Heads that did a tremendous job. We all gave a little to make this budget to where it is which you see in front of you. If you have any questions, Ms. Allen can take those.

CFO Suzanne Allen stated that she was stepping up for questions. The mayor has said what we needed to say as far as introducing the budget as a summary.

Councilman John Street asked if the budget reflected the \$7.8 million dollars that was set aside for our part of the \$90 million of Highway Projects. She said that has already been moved down.

Councilman Burton stated there has been a lot of discussion about the added cost of the salary increases. He said he noticed that the longevity changes caused decreases in the budget costs. Is there a total sum to the budget that we know of that came from ceasing to have the longevity pay hit the budget. Ms. Allen stated that the longevity cost the city \$360,000 roughly this year. From moving from -0- to 20 years and taking away any longevity from those service years, we are dropping it. She said she didn't have the figure with her, but she would email that information out to the council. Ms. Allen then asked the Finance Office Manager, Trever Harvey, to pull up those cost savings. Councilman Dover stated that was offset with the step increases. Ms. Allen said yes and that 2016 was the first time they gave any longevity aside from the Fire Department getting it.

Councilman Bobby Long asked Ms. Allen if she could help him understand the difference between the 2015 Actual General Fund and the 2016 Budgeted General Fund. He asked if the 2016 Budgeted amount was created this time last year. Ms. Allen stated it was created this time last year, but it also has any amendments that the council voted to pass throughout the year. Councilman Long asked if there was a way to put in a third column for year to date actual numbers in order to get a better understanding of where we are and where we are heading. Ms. Allen said that we do that internally, but we have not included it in the budget books. However, that is something that one of the new council members to be has spoken with me about. We can include that going forward.

Ms. Allen stated we do a five year look back trend and we base revenue partially on that because it goes up and down. If it increases one year 3% and then 1% and then 4%, we do an average so that we can stay conservative with our figures and don't inflate our revenue. Councilman Long said he would like to see that third column included in the budget book in order to get a better understanding of where we are

and where would like to be. Councilman Burton agreed that would be a good idea and that is something they have discussed in the past.

Ms. Allen stated \$106,500 is longevity cost savings which is the answer to Councilman Burton's previous question. She said what was surprising was to see how many people the city has with longevity of over 20 years. She stated it wasn't as much of a savings as we had hoped. Councilman Dover asked if we had kept longevity for 20+ years. Ms. Allen said yes for over 20 years. Councilman Dover said the salary scale ceases at 20 years so we have longevity for those people.

Councilman Dover asked about the Police Department budget and the large increase in the LOPFI. Ms. Allen stated our credit is going down drastically from the State. She said they use actuaries and they come up with a credit. They utilize the entire state to help pay for some of the cities that have gotten behind in their LOPFI or can't pay for it. Our credit for this next year is decreasing by \$200,000. Councilman Dover asked if Ms. Allen could explain credit. Ms. Allen stated the State gives us a credit toward our LOPFI.

Councilman Dover asked if our credit was going down to help pay for smaller cities who are struggling. Councilman John Street stated a lot of cities did not pay their LOPFI and now they have people who are retiring and they are insolvent. He said they cannot pay their retirement so the State has been trying to figure out what to do for these cities. The general consensus was to draw from everyone else to cover that. Ms. Allen stated that the money allocated by the State is decreasing because it is going to the cities that could not pay. Councilman Dover asked if we had to increase our expenses to cover that. Mayor Perrin stated that the Municipal League is looking into that. He said there may be some legislation on it in the next legislative session in January.

City Accountant Mike Burroughs stated that it is not just the little towns in Arkansas. He said the City of Little Rock has been in bad shape. Mr. Burroughs stated that three years ago they changed the law on how they allocated the funds so most of the money is going towards those who have not paid. The way the law was set up was that some small Volunteer Fire Departments didn't get a pension. Now, when LOPFI comes in, they take over a lot of the older programs and they have to come up with the money somehow to pay these older Firemen a pension. They are coming up with estimated liabilities and that is why our costs are going up. LOPFI started in 1983 and is handled by a committee. A board oversees it and they are given a lot of leeway in the decisions they make. We don't have any control over it. The costs keep going up and the money they are giving us is going down.

Mayor Perrin stated that we do not have any ordinances tonight and the purpose of the meeting is solely to review and discuss any questions relating to the 2017 budget. He said if you have any questions, please let them know. Ms. Allen stated that they have received questions from Council members separately that they have handled by phone or through email. Mayor Perrin said that tonight was an open forum for the council to ask any questions. He said the budget ordinance will be voted on at the December 20, 2016 Council meeting. He said we will have it passed before the year end.

Councilman Dover stated that the city is doubling the amount spent on professional services in general administration and he wanted to know the reason. He said it was an increase of about \$66,000. Ms. Allen stated they have increased the professional services under general administration. She said it includes MAPC payments to the board members, attorney fees when we need them, fees for non-uniformed deferred compensation plan, engineering fees, and special called elections. Ms. Allen stated

there is additional money in case of a special election and engineering fees. Mayor Perrin stated that the county did not collect on some special elections and we got hit with those fees. Ms. Allen stated it was \$57,000 that was paid last year for fees from 2008 to 2014.

Councilman Street stated that fuel was adjusted downward for most of the budget. He said that fuel costs have been low and they were over-budgeted so it was more of a realignment of actual usage and costs.

A question from the audience was asked about a parks building. Ms. Allen stated that the Parks Director Wixson Huffstetler might want to come and speak about it. She said that the building is going to be placed at 3007 Dan Avenue located on some property that we purchased this year. Mr. Huffstetler said that the Cemetery Department and the Urban Parks Department share one shop building. We have grown over the past 5-6 years and more space is needed for the employees to work. The City purchased a small piece of property next to the Parks Department office which will be used to build a Cemetery Zone shop out of perpetual care fund. It will function a lot better for us and will help us keep equipment out of the elements all year long. A question was asked if they manage their own cemeteries. Mr. Huffstetler stated that they do.

Councilman Long asked Ms. Allen about the 2017 projected operations and maintenance expenditures and how we fall in line with the percentages compared to other cities our size. Ms. Allen stated that is difficult to compare our city with others because of their makeup. She said that we look at individual things, but not to how the pie chart is broken out. She said in her educational background of finances, it is very common for personnel to make up a large percentage of the costs. Ms. Allen stated that she can send out the Municipal League Salary Survey which has salary comparisons on it.

Councilman Charles Frierson expressed his appreciation for the work that has been done on the budget.

Councilman Street asked about the CDBG difference on the total and if it was a typo. Ms. Allen asked if Trever Harvey could check on that. She said that the page would be changed to reflect the correct amount and the council could bring their budget book back to have the page replaced.

Councilman Dover stated that they have a Finance Committee Meeting tomorrow at 4 p.m. with the budget ordinance. If anyone has questions, they can bring it to the meeting tomorrow to be addressed. Mayor Perrin said the ordinance will be on the Finance agenda at tomorrow's meeting. He said it will be brought before the full council on Tuesday, December 20, 2016 for everyone to vote on. He said he wanted to make sure that the budget was presented openly and publicly.

Mayor Perrin stated he thinks the City will have a great year. He said we will not allow our citizens to go without service if something comes up. If a service is needed, we will pull it from reserves. We will watch this process every year as we do the budget. We hope that the figures go up. The only way to increase reserves is to cut expenses and increase revenue. It is twofold and that is something that we will be looking at real hard. He said he appreciates the council's input and their service.

Mayor Perrin said the City has had a great year in 2016 and expect 2017 to be no different. There will be some projects that being put out to bid. We were gifted \$90 million in projects with the AHTD and we would not have been able to get that if we had not had the \$7.8 million in excess reserves to use. Mayor Perrin mentioned that

Jonesboro came in at #1 in Arkansas on a national study. They picked one city in every state based on categories that included unemployment, economic growth, increasing job growth, etc. That will help us when we go after some of these grants.

Filed

4. ADJOURNMENT

A motion was made by Councilman Darrel Dover, seconded by Councilman Chris Moore, that this meeting be Adjourned . The motion PASSED with the following vote.

Aye: 10 - Darrel Dover;Ann Williams;Charles Frierson;Chris Moore;John Street;Mitch Johnson;Gene Vance;Rennell Woods;Todd Burton and Bobby Long

Absent: 2 - Chris Gibson and Charles Coleman

_____ **Date:** _____

Harold Perrin, Mayor

Attest:

_____ **Date:** _____

Donna Jackson, City Clerk