

Special Council Meeting Minutes

Budget Work Session

August 12, 2013

The special meeting of the City Council, City of Audubon Park to work on the budget was held on Monday, August 12, 2013 at 3340 Robin Road with the following present: Mayor Michael Scalise, along with Council Members Joanne Bader, Vince Osbourn, Mark Stevens, Nancy Zinner, Al Huber and Cary Campbell. Also present were Capt. Jim Curtis in place of Chief Jeff Cox and City Clerk Stephanie Lee.

Call to Order: Mayor Scalise called the meeting to order at 7:00 P.M. followed by the Pledge of Allegiance. Mayor Mike Scalise noted that tonight's meeting was a special meeting to work on the PROPOSED BUDGET ORDINANCE FOR FISCAL YEAR JULY 1, 2013 – JUNE 30, 2014 and he advised that there was no public comment session. Next week is the regularly scheduled Council meeting and it will be at Audubon Traditional School.

Mayor Scalise opened the meeting by noting that Chief Cox was in the hospital but was listening in on Mayor Scalise's phone to allow participation in the budget work session. He said there have already been several budget meetings and the council is working with issues related to the excess sanitation fees charged and how to eliminate those excess revenues from the budget so they can be returned to the citizens. Mayor Scalise said he had sent out a revised budget proposal to the Council for review prior to tonight's meeting and asked for comment. Cary Campbell asked why there was no public comment session; Mayor Scalise said there would be none since it was a "working meeting" and the budget needed to be finished. There was discussion about the likelihood of voting on a budget with the consensus that there was much more work before that could be done.

Joanne Bader said that the Council needed to look at the macro-issues in the budget before we could deal with the micro-issues: the overcharge of sanitation fees – can they be returned or since they have already been collected, can we include them in the budget but cut costs to leave some excess funds? She said she didn't think the city had the ability to return the funds without causing major cuts to issues residents identified as important to them such as the parks, paving the streets, the police department, etc. An argument could be made that those overcharges were spent on city services that benefitted residents so they could be construed as providing value to residents in past years and the city would be bankrupted if it had to return overages from previous years. Since this year's monies have been collected but not yet spent, the city has an opportunity to refund the overcharge or put it back into projects that desperately need funding like replenishment of road funds, tree maintenance, funding of a social fund for city social events – a one time opportunity. Going forward, the Council will have to reduce the budget since the City will no longer be able to overcharge for sanitation fees. She asked that residents come to next week's Council meeting to tell what they want as priorities for budget spending. Cary Campbell noted that he didn't think the Council could spend this money legally and there was agreement that a legal opinion should be sought.

Mayor Scalise noted that he had put a credit in the latest budget proposal, to allow a credit of sanitation overpayments to be returned to residents. The credit would be accomplished by cutting raises, reducing code enforcement hours, deleting employee benefits (incl. the 457 plan thus no pensions, health insurance supplements, longevity pay), cuts in general expenses and gas in public safety as well as eliminating overtime and reducing staffing.

Joanne Bader reiterated that the Council still wants to maintain 24/7 police coverage which residents have identified as important to them. Nancy Zinner seconded that sentiment, noting she had heard from many constituents that keeping our police force was most important to them. Mark Stevens asked whether cutting fuel costs would mean there would be fewer street patrols. The Mayor noted that the Chief had reviewed past costs and felt patrols would not be overly affected as there had been surplus funds in fuel in past years.

Cary Campbell asked for a year end actual for all budget categories. He also felt the sanitation fees should be listed as a separate revenue account like road funds. The Mayor said the road funds had to have a separate bank account by law.

Vince Osbourn said that there was only \$2,500 in the parks budget line and this is an area that will need to be increased. Mayor Scalise said his current budget proposal has a \$10,756 surplus. He felt some of the credit under sanitation could be used for storm cleanup.

Joanne Bader felt that the budgeted amount for legal services and accounting were way too low. The accountant has had to spend extra funds to restructure the financial reporting systems. Pension line item will also have to be increased by at least \$12,000 to account for the city clerk's pension so there is no budget surplus if budget line items are looked at realistically. The Mayor agreed.

Joanne Bader noted that in the past two weeks Council members have been researching other similar 4th and 5th class cities and how their operations and costs compare to Audubon Park. She distributed a comparison spreadsheet to the group and suggested the City look to see if we could restructure our services differently to make sure we are doing it efficiently. Cary Campbell said the spreadsheet shows that Audubon Park needs to look to 4th class, not 5th class cities to see comparable spending levels. He said that Audubon is spending like a 4th class city, but only taking in revenues at a 5th class city level. Joanne noted that most of the 4th class cities and even some 5th class cities have a greater commercial tax base to supplement revenues; Audubon is primarily residential so automatically at a disadvantage tax-wise. She felt the results of the survey have much to teach us.

Mayor Scalise returned attention to his budget proposal and asked the Council for their reactions to it and whether it was passable. Vince Osbourn noted that it showed much improvement but still needed more work and more cuts. He cited selling assets like the police bus and some spare cruisers as suggested by Chief Cox; Mayor Scalise thought this would be negligible and was not included in the proposed budget although he recognized this action needs to be taken. Discussion was held about selling the surplus equipment and any revenues realized would just go into general funds.

Joanne Bader said the budget can't get close to being finalized until a discussion is held on whether the city wants to continue on its same operating model and if it is sustainable. She asked if *all* benefits are off the table for all employees in the proposal submitted tonight by the Mayor. Mayor Scalise said there are no benefits at all which led to the question why there are budget items for FICA, AFLAC and dental still in the budget. The Mayor said he had overlooked these costs and then deleted them from the budget. Cary Campbell asked whether the City would be able to attract employees without benefits. He suggested going to an all part-time police force as other similar sized cities currently operate. Joanne Bader said that some of these models pay their officers a higher hourly rate to compensate for lack of benefits and many of these officers are retired thus don't need benefits. She suggested further discussion with Chief Cox about this. Other findings from the survey showed that almost all cities operate with a part-time clerk and a decision needs to be made whether the city needs a full-time clerk. The survey showed that there may be better ways of providing city services at reduced costs. The Mayor asked about Public Works. Joanne noted that many cities contract out for this service; there are pluses and minuses. If we have a full-time employee, he is available to respond to emergencies at any hour whereas this availability may be curtailed if services are contracted. With snow removal, the city might not be a high priority to receive services if contracted out. Residents will need to weigh in on how important it is to them to get prompt service at a higher cost vs. delayed service for possibly less cost. It was decided to move code enforcement costs to public works esp. to pay for watering of new trees. Mark Stevens said that if we look into contracting services for public works that it would entail getting bids which would delay finalizing the budget further. There was discussion whether bids would be required – whether costs would be over \$20,000 which requires bids. Cary suggested contracting out portions of the public works services. Discussion was held whether the council wanted to go to a contracted model, as well as pros and cons for contracted services vs. a full-time employee for public works.

Cary Campbell brought up the question whether Audubon Park wants or can afford to provide "premium" service in its Public Works Dept., its Police Dept., and its clerk services. He agreed that due to location, the city needs a 24 hour police presence but questioned whether 40 hour 5 days week coverage in other areas the city needed. Joanne Bader noted that the analysis of other cities pointed out that Audubon Park has a very rich benefit program, unlike other cities. The benefits esp. the unfunded pensions are what are hurting our expenses. Perhaps the City should pay more but delete benefits. But if this is done, the Personnel Manual will have to be revised to reflect the changes to benefits. The Mayor concurred.

The Mayor asked Al Huber for his thoughts. Mr. Huber noted that many of the cities in the comparison were in "good" areas. If one looked at the demographics of Audubon Park, he asserted that within a 2 mile radius of our city, most people make \$30,000 a year. The people in the comparison cities were wealthier and didn't need police services like Audubon does. He felt that if we don't pay our police adequately, they will leave and he doesn't want that to happen. Cary Campbell agreed but said that the City would have to balance out cuts in other areas if we want to maintain our police coverage and costs or else figure out a new policing model.

Nancy Zinner asked when the "elephant in the room" would be brought up – the \$600,000 retirement payments to Carl Reesor which everyone agrees is due for 10 years yet there are

documents saying he should receive them for 15 years AND the disputed percentage of pay used for retirement which is being paid at 60% of final salary vs. the typed amount in the contract document which shows "fifty" percent in a paper signed by Mayor Scalise. Mayor Scalise said he never considered the document showing 15 years to be valid (Reesor's pension is supposed to be 10 years and this is the compensation calculation given to the accountant and auditors). The Mayor said the Civil Service manual indicates the maximum payment is for 10 years. The form showing 15 years is not valid, the Mayor has never considered it valid and it has never been approved by Council. Nancy Zinner pointed out the contract stating 15 years has both Carl Reesor's and Mayor Scalise's signatures on it; the Mayor reiterated he has never considered that form valid.

Cary Campbell asked whether the Mayor considered the ordinance on the sanitation fees and estate fees valid or for the road funds. Cary asked if we had legal backing for all of this; if there is a 15 year pension obligation, why was it not funded? The Mayor said there isn't a 15 year obligation and he had asked the acting City Attorney to look into that several months ago. Joanne Bader said Carl Reesor seems to think he has a 15 year pension. Vince Osbourn asked whether this would add another \$300,000 to the budget; Mike Scalise said no, it would only be listed as a liability in the audit if legitimate, and only the current year's payments would be reflected in the budget. Nancy Zinner brandished a paper, asking Mayor Scalise if that was his name on it (referring to 15 year contract); he did not dispute it was his signature. The Mayor asked what the Council's proposals were for funding pension obligations, noting they are currently on a pay-as-you go basis. Vince Osbourn asked why Mayor Scalise did not consider the 15 year document valid; he responded that the extended term was not in the policy manual and it had never been approved by a council. Vince Osbourn asked whether it was just a "gentlemen's agreement" and the Mayor responded "yes". The City owes Mr. Reesor a ten year pension and the five year extension in the Mayor's opinion is not valid. Joanne Bader said we will have to add at least \$12,000 to the budget this year for the clerk which has been earned and will have to be paid for her pension. Eight years remain in the pension owed to Carl Reesor; two years have already been paid. Nancy Zinner brought up again the discrepancy in the percentage of salary paid as pension. She said the City is paying 60% yet the amount is written as "fifty". The Mayor said 60% is correct; it was pointed out that both conflicting numbers are in the contract. Mike Scalise says the policy manual says 60%. The Mayor said the City doesn't have a pension under federal law that requires funding; rather these are "contracts". A 1099 isn't given at the end of the year, rather a W-2 since it is considered a continuation of income. Cary Campbell asked whether it is valid to handle this in this manner; the Mayor said they had always done it this way and the accountant had not questioned it. Cary Campbell suggested possibly negotiating a lump sum payout, paid by a bond issue. The Mayor said he had not looked into that option nor asked whether someone would accept a buyout. Cary suggested it might be worth investigating to see if we could negotiate an immediate, but reduced payout and issue a bond to extend out the payment term period. Mayor Scalise said that would change our unsecured debt to secured debt if a bond is issued. Cary brought up the option of declaring bankruptcy.

Mayor Scalise then summarized changes suggested to the budget: part-time clerk, contracted public works, part-time police officers (not department) and in return savings would be used to

fund pensions, etc. Joanne Bader disagreed with this assessment, saying the City first needs to get a legal opinion whether it needs to return the sanitation overcharge collected this year or whether we have the flexibility to use that money to fund other city services that residents want. Without knowing the answer, how can we move forward on the budget assumptions re revenues coming in and what budget will be passed? Mayor Scalise said that he has already gotten an opinion (not written) from Jonathan Leachman, the acting city attorney, that the City has to return the overcharge. Nancy Zinner asked why we don't have a real attorney; the Mayor said that hadn't been addressed yet as he only found out last week that Mr. Leachman was not interested in the post. Mayor Scalise said he received a list of potential attorneys from a Council Member and he has been making calls.

Joanne Bader asked Jonathan Leachman if he wanted to comment on the refund of sanitation overages. He noted that based on his research and conversations with attorneys at the KY League of Cities, the funds that were collected over and above the contracted sanitation contract costs can't be used for other purposes. They have to be applied for sanitation expenses for the next year as a rebate to all citizens with their next year's bill reduced or the City would have to look at refunding an amount to each household this year. There is no legal authority or guidance or precedent for this type of situation in his estimation and his understanding of the statute. It would be easier logistically for the City for a rebate; there was general agreement on this by the Council. Mark Stevens said that will have a major impact on the budget for next year, creating a deeper hole. Cary Campbell disagreed, noting that the "cuts" are actually reflected in this year's budget and they will just be carried forward. Joanne Bader suggested the \$161,000 credit be put in a separate bank account to keep it safe.

Al Huber suggested that the group adjourn at this point. Cary Campbell countered by suggesting the audience be given an opportunity to voice their opinions on the budget. The Mayor noted a public comment session would be available at the upcoming council meeting in a week. Cary Campbell suggested a larger venue for the meeting to accommodate the larger crowd wanting to listen to the deliberations. Mark Stevens said that several of the proposals made tonight will necessitate bids from vendors and the Council will not have answers for options to see if they are feasible. Joanne Bader asked whether the Council will agree that the assumption will be made to credit the sanitation overcharge so that we can go forward knowing what revenues we have coming in. The Mayor said that had been agreed to.

Vince Osbourn said discussion had been held regard re-codification of the ordinances and asked whether this was reflected in a line item in the budget. The Mayor had a line item for \$3000 several proposals ago but Pat McElhone called the KLC and the cost quoted was from \$6-20 thousand dollars and that isn't feasible to include in the budget at this point. Joanne Bader said we took this funding out because we hope to get a grant to pay for it.

Next meeting will be in a week at Audubon Elementary at 7:30 pm. Joanne Bader invited the audience to stay after the meeting if they wished to talk to Council Members about their thoughts on budget priorities.

Al Huber made a motion to adjourn the meeting, Mark Stevens seconded, and the motion passed unanimously to adjourn.

Joanne B. Baker
ATTESTED

Al Huber
APPROVED