

MEETING MINUTES

JULY 11, 2017 BUDGET WORK SESSION

The members of the City Council of the City of Phenix City, Alabama met in a called work session at 1:00 p.m. Eastern Time, Tuesday, July 11, 2017 in the third floor conference room of the Municipal Building located at 601 12th Street, Phenix City, Alabama for the purpose of reviewing the proposed budget for fiscal year 2017-2018. Upon roll call the following councilmembers were present: Councilmember Arthur L. Day, Jr., Councilmember Steve Bailey, Councilmember R. Griff Gordy and Mayor Lowe. Councilmember Johnnie C. Robinson, Jr. was not present. Also present were City Manager Wallace B. Hunter, Finance and Utilities Director Stephen C. Smith, Interim Finance Director Labrita King-Copeland, Director of Engineering and Public Works Angel Moore, Chief of Police Ray Smith, Human Resources Director Stephanie Chastain and City Clerk Charlotte L. Goodrich. A representative of the Citizen News of East Alabama was also present.

Mayor Lowe opened the meeting upon a quorum being established. Councilmember R. Griff Gordy provided the invocation.

Mayor Lowe commented on the budget process and appropriations. Mayor Lowe then turned the meeting over to City Manager Hunter.

City Manager Hunter commented on the budget process also. He stated that both the Finance Director Steve Smith and Interim Finance Director Labrita Copeland were present because of the transition period needed for the position of Finance Director. Mr. Hunter advised council the city was in its third year of implementing changes to its pay scales to reduce the compression that had existed in mid-level management positions and general labor positions. Mr. Hunter explained that a pay study had been done and a plan developed to reduce the deficiencies. Actions have already been taken to increase the pay scales for the city's first responders (police/fire) as well as other positions and now was the time per the plan to begin increasing the pay scales for the general labor positions and those positions where the employees had maxed out at their pay scale and grade. City Manager Hunter reviewed the benefits provided to city retirees.

City Manager Hunter informed Council of a recent rating of the City by Standard and Poors and called upon Finance Director Smith to review the new ratings with Council. Mr. Smith provided copies of the Standard and Poors Rating Report to Council. The report graded the City with a "AA-" rating with a stable outlook. Mr. Smith reviewed the report with Council citing Standard and Poors considers the city's good financial policy and practices as a strength along with the city's 1.8x governmental debt service (the city has 1.8x the ability to pay its debt service; the standard is 1.2x). The city's policy of maintaining reserves to protect it from cash flow issues was also considered as a strength. Weaknesses included the city's reliance upon sales tax for revenue. The report did cite the city experiencing a slight deficit in the general fund of -0.9% of expenditures and a deficit across all governmental funds of negative in 5.6% in 2015. These issues were due in part to the movement of troops out of Fort Benning and the resulting area wide recession. Mr. Smith also pointed out the ratings reported sales tax revenue

across the state has been soft but the city is currently trending 7% higher than this time last year. Overall, Phenix City's market value has increased by 3.3% over the past year to \$1.6 billion in 2017.

Mr. Smith also reviewed, as reported by Standards and Poors, the City's ability to service its debt at 1.8x, with the required minimum being 1.2x. The S&P report also notes the city's reserves. Mr. Smith and City Manager Hunter both commented on the efforts made to have and maintain a reserve which has helped the city attain the "AA-" rating. Mr. Smith informed council the city pays two million a year to pay down the debt.

Mr. Smith next began the review of the budget with Council. Mr. Smith advised Council the budget is prepared per the requirements of the City Charter. Included with each year's proposed budget are the budgets for the previous four years for each line item.

The City Manager also explained the purpose of the contingency budget. He advised the contingency budget is in place in case revenue was available to make additional purchases for items such as equipment for the departments.

Mr. Smith directed Council to the Special Funds portion of the proposed budget for review. Mr. Smith explained the city receives 19 mills in property tax; 7 mills are earmarked for the School System; 7 mills for debt service and 5 mills for general fund (operating expenses). He added we are expecting a net revenue of \$498,359 for the current fiscal year/next fiscal year. The city is expecting a 1.9% increase in revenue next fiscal year over the current fiscal year and a .9% increase in expenditures.

Mr. Smith next reviewed the Revenue Detail page (page 6) with Council. Mr. Smith discussed the following areas with Council: declining revenue from sin taxes which have dropped 5% since 2014, increase in sales tax revenue of 8.5%, increases in revenue from auto and boat sales and increases in business license and permit fees. Mr. Smith continued the revenue review with Council reviewing the charges for services, court fines and fees, grants and the grant process/funding, fees from Parks and Recreation Department, Central Activities Center, the Amphitheater, and Golf Course.

The meeting recessed for at 2:15 for approximately 10 minutes, resuming at 2:25 p.m.

Upon reconvening, Human resources Director Stephanie Chastain was given the floor to discuss pay studies performed by Dr. Buford. Ms. Chastain discussed the studies being done every three years. Previously, the studies identified areas of deficiencies in the public safety sector and a plan was put into place to correct those deficiencies and bring them up to the area market standard. The current study addressed deficiencies in the areas of mid-level administrative positions such as customer service positions, office managers, and graduate engineers of 4%. The proposed budget includes 4% pay raise for individuals in those categories bringing those positions more in line with the area market. The other areas identified by the study as having deficiencies were the executive level positions. Ms. Chastain referred to an email from Dr. Buford referring to pay structures for those executive level positions. Dr. Buford recommended phasing in increases over a three year period. The proposed budget has those raises included, however, they are not guaranteed to go into effect October 1 as the other raises discussed, but will be implemented dependent upon the status of the revenues/budget. Mr. Smith

added the city has sixteen pay grades for city employees. Those employees in grades five through nine will receive a 4% pay raise in the proposed budget. Per the merit system, those employees eligible for merit raises will receive a 1% pay raise. Also discussed were stipulations for merit system raises, including longevity and review of disciplinary actions, wage compression.

Next began a review of the budgets submitted by the departments for the 2017-2018 fiscal year.

Mr. Smith discussed the following department budgets with council: City Manager, Economic Development, IT Department, Library, Municipal Court, Human Resources/Personnel, City Clerk, Building Department, Finance Department, Revenue Department, Parks and Recreation, Golf, Fire Department, Police Department including the Animal Shelter, Public Works and Engineering including Limbs and Debris, Streets & Drainage, Building Maintenance, Cemetery Division, Vehicle Maintenance and Refuse Disposal.

During these discussions, the parties discussed seasonal employment opportunities and a growing drug use issue impacting recruiting and hiring.

Mr. Smith continued discussing reviewing the non-departmental account, briefly reviewing the appropriations to be discussed at length later, and non-departmental capital outlay.

At the conclusion of these discussions, a 10 minute recess was taken at 4:15. The meeting reconvened at 4:25 to continue a review of the Utility Department Budget.

Mr. Smith reviewed with Council the Utility Department Budget including the Utility Administration, Water Distribution, Water Filtration, Wastewater Collection and Wastewater Treatment.

At the conclusion of these discussions, the meeting adjourned until 8:00 a.m. Wednesday, July 12, 2017 to continue a review of the proposed 2017-2018 budget.