

**MANDEVILLE CITY COUNCIL
MINUTES FOR THE MEETING OF AUGUST 11, 2014
BUDGET WORK SESSION**

The budget work session was called to order by Mayor Pro Tem Danielson at 6:00 p.m.

PRESENT: Rick Danielson, Clay Madden, David Ellis, Carla Buchholz, Ernest Burguières

ABSENT:

ALSO: Mayor Villere, Louisette Kidd; David deGeneres, Chief Richard, Gretchen McKinney, Faimon Roberts.

CAPITAL BUDGET

Mr. Danielson asked if sheet piling for Galvez, Castine, and Coquille should be included in the 2015 budget as recommended in the GEC study. The piling could help with drainage, surge and erosion. Mayor Villere stated that we first need to address whether we want a 5.2' or higher level of protection. GEC recommended four levels of protection. Plus we would need Corp approval and permits. Mayor Villere agreed it was an opportunity to explore. Mr. Burguières stated that he was having a District III community meeting on August 21st to start the discussion on the levels of protection preferred.

OPERATIONS BUDGET

Salaries

Mr. Oliveri stated that the City budgets for 132 positions. At any given payroll cycle we have 111 to 120 employees. The 132 number includes seasonal employees; the actual full time count is 126 employees. If we fill positions with temporary employees, we need the funding mechanism in place to hire them. The number of employees at the last payroll in each year was 2014 - 111; 2013 - 113; 2012 - 116; 2011 - 120; 2010 - 114. Mr. Oliveri confirmed that each employee was budgeted to receive a 2.5% salary increase; no one is receiving more than 2.5%. The change last year, when we did the 9.5% supplement for MERS employees makes it look like they are getting a higher increase. In the budget, the expense shifted from retirement to payroll expense. Mr. Burguières stated that the Mayor's increase for 2015 came to 5.5%; how is that broken out? Mr. Oliveri stated that the Council voted on the pick-up and supplement last December, as explained by Nan Alessandra. The 9.5% is not a raise or in the base salary. We did it this way so we would not pick up FICA taxes. The MPERS (Police) do not have the pick-up and therefore only show a 2.5% increase. Mr. Oliveri stated that a count of W2s for each year might provide a more accurate headcount. There was further discussion on the number of full time employees to budget for (between 122 and 126). Mr. Oliveri emphasized that the City needs to budget for temporary employees. Mayor Villere stated that when an employee leaves, we ask the Director to evaluate and justify the rehire. Can the job be outsourced or eliminated? This evaluation takes time. Mr. Danielson stated that while the W2 headcount might be helpful, the budget is actually for hours or 126 fulltime positions working for 12 months. Mrs. McKinney stated that the budget also includes overtime, in addition to temporary labor, which is needed to fill the gap while testing, hiring and training employees. Mr. Danielson stated that we have not hit our target of 126 in a number of years and should be well under budget. Mr. Oliveri agreed. Mr. Burguières requested the number of W2s per year and the number of months the temps have worked to get a better idea of what is really needed. There was further debate on the number of employees and temporary man hours to budget for. Mrs. McKinney stated that in addition to the W2s, overtime and temporary man hours we also have to consider the unknown - how much work was not getting done. The employees have to attack the main priorities, so not all the projects are getting attention. She added that she has trouble filling certain positions, entry level positions in the sewer department for example, but that work still needs to be accomplished. If any positions are cut, the Council may want to consider raising the salary of the entry level employee. Mr. Danielson agreed and stated that if we budget for 132 and have 115, there will be money left on the table.

Mr. Oliveri stated that 30-40% of our employees are eligible for retirement. We need to have the flexibility to bring people on, before others retire, so we can start training them. Mrs. McKinney stated that the Administration has asked for 132 because they feel that is the proper number needed to maintain the level of services needed to run the City. Again, the 132 includes part-time workers and seasonal workers. Mr. Runyon commented on the impact that the number of budgeted employees has on the budget. In a July 10th email, the Finance Director used nine months of actuals to forecast FY2014 and, at the end of the email, made a statement that there was a savings of \$425,000. That is not a savings it is a false economy. Mr. Danielson asked of the 111 employees how many are eligible for the \$500 on scale raise? Mr. Oliveri stated every full time employee except for Directors and the Mayor. Two Directors who make under \$60,000 and the Council Clerk are eligible for \$750. The total is \$123,794. Mr. Danielson stated that the Council could include that on scale raise in the budget now or do it under a separate Ordinance. He recommended including \$120,000 into this year's budget. Mr. Burguières stated that if we budget for 122 instead of 132, it would absorb the \$120,000 expense. Mayor Villere stated that 122 would not allow us to hire up to full staff capacity. Mr. Danielson recommended that the number stay at 132 until more detailed information can be provided on the appropriate manning levels; it will come well under budget. Mr. Runyon stated the City paid for a salary survey last year which provided some comments and recommendations: (1) pay ranges compared to other local communities are somewhat below market (2) Mandeville's retirement contribution and cost sharing on medical benefit premiums is significantly above market (3) in consideration of total compensation, an adjustment to the pay structure across the board is not recommended (4) twelve positions were found to be below the mid-range for total compensation (5) some positions are above market. Mr. Runyon asked why would the Council consider pay raises, of any amount, when the salary study clearly states that Mandeville, compared to all of its peers, is above market (55% in some cases). If there are 11 to 12 positions that need adjustment, go fix those; do not do it across the board. Mayor Villere stated that last year, the employees were asked to take on an unusually higher portion of the cost of healthcare. He added that the \$500 on scale raise is a modest increase and treats the bottom end of the scale more effectively than a percentage increase to everyone. Mr. Runyon stated that the salary survey showed a majority of the salaries (both MERS and MPERS) were above mid-range. Plus Mandeville is paying higher medical benefits than any of the other communities. Mrs. Lori Spranley, City Hall employee, stated that a number of dedicated and loyal employees who are at the top of their scale, do not earn salary increases. She added that this was the third year in a row she has not received an increase; \$500 was not an unreasonable amount. Mrs. McKinney added that our Mandeville citizens ask more from our employees than any other City.

Insurance

Mr. Oliveri stated that he budgeted for a 8% increase for every active employee. The vacant positions were budgeted at a family coverage rate. Our utilization is at 70 to 80%. We will have the overall utilization effect as a result of our recent change in October or November. At that point we can have discussions with United Healthcare about renewal rates. We hope to make decisions in January and then give the employees 30 days to elect coverage. It is impossible to compress those time frames. United does a 24 month rolling utilization so our high utilization will roll off soon. According to HUB, the City will be soliciting bids based on our budgeted amount. Mr. Runyon asked - what was the consumption of the health savings card in the first quarter. Mr. Oliveri stated approximately 60 to 70%. Mr. Danielson asked for clarification if the 70% was the balance of the card or the number of people using the card. Have 70% of the employees used 10% of their balance? Mr. Oliveri stated that he would check and clarify.

Format

There was consensus to hold discussions on what details, in the form of charts, graphs, exhibits and summaries, the Council and the general public would like to see in the budget next year. Mr. Madden stated that some constituents have reported that the format is difficult to follow and summary pages would be helpful.

Police

Chief Richard reported that four positions have been downsized in their department since 2011. They are in the process of filling one vacancy. He asked the Council to budget for all positions as requested. Mr. Runyon questioned the medical insurance line item under the police expenses. The difference between the projection figure vs the revised 2014 budget figure is over 14%. Mr. Oliveri stated that he would research it and verify the 2014 projection column.

Streets

Mr. deGeneres stated that he was finalizing the work order system and moving to tablets. The tablets allow the employee to take pictures of the work on site. The Mayor added that they were moving towards getting the online work order system running. Mr. Runyon asked about a part of the street fund that is being reimbursed from the special sales tax. Are we using projections and not actual work orders? Mr. Oliveri stated that they were using the actual payroll and a qualified estimate. Mr. Runyon stated that the online work order system was promised last year. Mr. deGeneres stated that they were currently in the testing stage. He added that he has a shortfall; he was down two clerks positions.

Cemetery

Mr. Oliveri stated that the budget increase is due to regular maintenance plus additional improvement projects. Mr. Danielson stated that he discussed what the City can and cannot do with the City Attorney. The lots are privately owned and some family owners of older lots cannot be found. He added that it was his intension to introduce an Ordinance that would allow the City to provide maintenance and restoration for those sites in desperate need. From a public health, safety, environmental and historic aspect, we need to explore and budget for this. He recommended adding \$20,000 to \$30,000. Mr. Burguieres suggested creating a public/private partnership or a nonprofit to contribute volunteer man hours of work and solicit funding contributions. Mr. Oliveri stated that the City never uses the full budgeted amount; we spent less than \$50,000. We may have enough to cover the additional work. We should wait for a plan, before we add money to the budget. Mayor Villere suggested crafting an ordinance similar to our blighted property ordinance.

Water

Mayor Villere stated that he plans to adjust the rate this year to ensure the City is charging the appropriate amount. The computer supplies and programs line item accounts for a City wide storage facility and a replication system to ensure we have the appropriate back up for the City. Scanned documents have increased our need for storage. At a point we can archive information or delete what we are no longer required to store based on Louisiana law. We can push it to the State archives. The cost for storage has been divided among all departments. The increase in contract labor cost is needed to supplement the loss of an employee/electrician. The contract labor costs may not be used entirely once the position has been upgraded and filled. There was further discussion regarding the difference between hiring a temporary employee and contract labor. The temporary employee shows up to work every day. Contract labor is project specific. Contract labor is budgeted because we may need an electrician on call during the hiring process. The position needs to be upgraded and then filled. Currently the position is under classified as a mechanical repairman.

Sewer

Property insurance has increased 134.8% due to the water tower going online. We had to increase insurance under new ICC rules plus we have new equipment with higher values. Mr. Runyon asked - How much are we budgeting in contract labor, between water and sewer, for the electrician. Mr. Danielson stated \$326,000. Mr. deGeneres stated that contract labor also covers point repairs and the Monroe Street sewer lift station.

Litigation Summary

Mr. Burguieres asked about the status of his request for a summary of litigation the City was involved in. Mr. Oliveri stated that some cases are active and the Council might have to go into executive session to get information. Mr. Burguieres stated that he only requested public information. He added that he requested all payments to attorneys this past year. Mr. Oliveri stated that he would email the payment information.

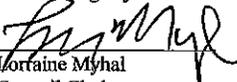
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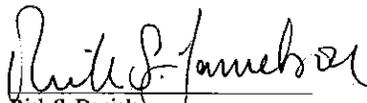
Mr. Runyon asked if the Council was going to approve a budget without a five year forecast. Mr. Madden stated that it was his understanding that there was a misunderstanding as to who was to provide the forecast. Mr. Runyon asked the Council Clerk to review and provide the minutes from the meeting in which the MFOC and Council recommended adopting procedures to implement a five year forecast of revenue and operating expenses. Mayor Villere stated that he thought the Council offered to provide the forecast.

There was consensus to hold another work session before the adoption of the FY2015 budget. The next work session will be held on Wednesday, August 27, 2014, 6:00pm.

ADJOURNMENT:

The meeting adjourned at 8:00 p.m.


Lorraine Myhal
Council Clerk


Rick S. Danielson
Mayor Pro Tem