

BUDGET MINUTES
FOR THE CITY COUNCIL MEETING OF JULY 24, 2023

The regular meeting of the Mandeville City Council was called to order by the Council Chairman at 6:00 p.m. followed by roll call.

ROLL CALL - present: Jason Zuckerman, Jill McGuire, Rick Danielson, Skelly Kreller, Rebecca Bush

Also present: Keith LaGrange, PW Director, Joanna Anderson, Human Resource Director, Kathleen Sides, Finance Director, Mayor Madden,

BUDGET

Ordinance No. 23-27; AN ORDINANCE TO APPROPRIATE FUNDS RELATIVE TO AND FOR ADOPTION OF THE OPERATING BUDGET FOR THE CITY OF MANDEVILLE FOR FISCAL YEAR 2023-2024; AND TO ESTABLISH THE ADMINISTRATION OF EXPENDITURES THEREOF AND TO PROVIDE FOR RELATED MATTERS.

Mr. Zuckerman explained the plan tonight is to go for about 2 hours and we can carryover tomorrow at the regular council meeting. He added the operating budget ordinance to the agenda since it was a light agenda. If it is not needed, we can carry on with normal business. Public comment will be after council discussion.

Mrs. Sides explained she sent some revised documents to the council this afternoon. There were two major changes she made to the fund summary report. The first was in the general and enterprise expenditures. The first four lines are related to salary and benefits. Mr. Zuckerman stated these changes are from the joint Civil Service Board mtg. Ms. Sides explained they include the 5.8% raise recommended. The second change is the "interfund transfers in", she only included special sales tax that pays for general gvt capital projects they also reimburse the general fund for the street's construction fund, and she omitted that piece. This new number includes that amount coming into the general fund. Typically, the reimburse the general fund and then take the balance and apply to the enterprise capital. The enterprise fund transfer increased by the amount of the general fund decrease. The only other change is the 5.8% salary and benefit increases. The operating budget columns have been added and the salary table includes for all positions except for appointed to include 5.8% plus a 2% merit. All appointed people are where you are today times the 5.8% cola times the 2% merit except for the mayor. She took where he is today times the 5.8% cola, no merit. Dr. Kreller thought we did the same amount last year for merit. Mrs. Sides stated they average it out; some will get 0%, 2% some 4%.

Mr. Zuckerman wanted to go back to the original budget and work backwards, but he wanted to make sure he understood the proposed numbers are assuming the 5.8% recommendation, so some cuts had to be made elsewhere to account for this. However, the 5.8% still needs council approval. Mrs. Sides stated the Civil Service Board recommended the 5.8% for non-police and they set the 5.8% for police. It is her understanding that the 5.8% is legally what the police get- whether we pay it today or later. Mr. Zuckerman wanted to just go back through the summary sheet before starting the COLA discussion.

Mr. Zuckerman stated the original fund balance projected end of year was \$19,889,278 and now it is \$21,750,879 Mrs. Sides explained remember she omitted the \$2 million in special

sales tax. The bulk is the \$2 million, adding \$350K from the 2.9% increase that was in the original document and increasing that to 5.8% and then based on the COLA, they cut \$750K from operating. Mr. Danielson stated they had to do the adjustments to balance the budget. The fund summary does not reflect those changes. Mrs. Sides explained the local government budget act says you cannot propose a deficit budget. We are not spending more money than we have because we have a fund balance. Are one-time expenditures exceeding one-time revenues? Yes, there is a net gain, but this includes FEMA. Mr. Zuckerman stated total revenues and transfers in minus expenditures is what? Mrs. Sides stated it nets to the fund balance; we already spent that money. Mr. Zuckerman stated this a projected increase in the fund balance. Mrs. Sides stated over the past 18 months we have done huge salary increases and we have done no revenue increases. Our uncontrollable operating expenses have grown exponentially- fuel, utility...this is dangerous. We're getting to a point where we cannot continue to increase our expenditures without increasing our revenues. The general fund summary for this year shows revenues of \$16 million, but there are one-time revenues of \$2 million grants for police, \$6 million in FEMA and then in "interfund transfers in" there is \$2 million for the sea wall; that leaves a \$749K deficit so she and the mayor have proposed cuts to offset that deficit. Mr. Zuckerman asked what is the impact of the recommendation of the civil service board? The mayor stated \$350K. Mrs. McGuire asked where is the other \$400K? The mayor explained they overcut during the exercise.

Mr. Zuckerman wanted to discuss COLA. Mrs. McGuire explained the Civil Service board sets the police pay and recommends the non-police pay. The council funds both, but what if we do not fund the request? Mrs. Sides stated it goes into "unfunded liabilities". You don't have to fund it today, but you're liable. Mrs. McGuire said it is set for the police, so we give the non-police the same or different amount? Ms. Anderson stated that the civil service recommends you treat both equally. Dr. Kreller stated is it set at 5.8% for police but next year's prediction is 3%. The 5.8% was set by averaging the 5.9 of the prior year, 8.7 of this past year and the 3.0 projection for next year. The administration presented the COLA at 2.7%. Mr. Zuckerman explained the city did the salary survey and made adjustments across the board. They wanted salaries to be competitive and at the top of the range for most positions. They then added COLA as part of the budget and readjusted the merit system. His concern is we did all these things to correct the course. The 2.7% was more than reasonable since it was just a short period of time since the survey changes. He feels we are on the cusp of overshooting what was a good thing and making this a long-term problem. He is troubled by another large COLA without seeing the impact of their prior decisions. Can we do a follow up survey to make sure what we implemented works.

Mrs. McGuire remembers last year the administration saying if COLA was high again, we may not feasibly be able to do it – this is a concern. Having a 5.8% plus a 2% could potentially be 8% increase and that is a lot after such a large salary increase. Along with the possibility of merit as high as 4-6%. Mrs. Sides explained they budgeted 2% for employees. With the city now having a true merit system, an on-par evaluation is a 0% increase. Mrs. McGuire feels they have bumped up everyone's salary and she feels 2.7% plus merit is reasonable, but we have a situation with the Civil Service Board. The mayor explained at the point of the salary survey was to study the market and surrounding municipalities and be competitive. We gave employees to get them to market and then we

gave them a 5.9% Mr. Zuckerman stated in most cases we gave them the top of the range. The mayor explained at the meeting he did not explain other municipalities did adjustments, yet we did our earlier. The city wants to attract the best employees and be the best paid and retain them. Mr. Zuckerman would like to follow up in 2-3 yrs. and see if we are still in the market. He would like to revisit the salary survey. The mayor stated when you get in the weeds there are some things that you cannot cut.

Dr. Kreller stated Mr. McGuire wanted the COLA much higher than the 5.8%. Brian Burke suggested an average, and they asked the council. Dr. Kreller's number was 4.9%- they recommended 5.8%. At this point, he did not have the budget, but we have to take this into consideration. 5.8% = 698K, 2.7% = 325K that is a significant change. He is open to anything; he thinks the employees make good money with their COLA and merit raise which is competitive. The Sheriff went up to 5% COLA, Slidell 2%, Covington 5-6%, he is more concerned can we afford this and is it sustainable.

Ms. Anderson explained the salary survey got us up to market based upon prior year's data. The 5.9% COLA from the previous November 2021 the employees did not see until September 2022 – they were behind. This past year's COLA was 8.7% and currently they are behind. Also, the whole idea is with a true COLA, merit becomes a true merit- not a given to compensate for COLA.

Mr. Danielson asked what happens if you do police at 5.9% and a different amount for non-police? Mrs. McGuire asked if we could go back to the civil service board and revisit? MS. Anderson said they could have another meeting, but you would have to have a strong argument. Mr. Danielson said at the joint meeting that the city is basically 9 months. They announce COLA in November, kicks in January and then we are already 9 months behind when we have our budget. He felt 2.7% was too low considering COLA was 8.7%. At the joint meeting he said he personally does not know what the right number is, but he thinks it's closer to 5%. Civil service board said let's take the 5.9+8.7+3.0 and average it out and that's how they came up with the 5.8%. The council did not have a vote in that process. Mr. Danielson said the mayor did propose a 2.7% increase and did not argue or try to justify that to the civil service board to get them to stay somewhere closer to that. There were members on that board that wanted greater than 5.7 but they settled for 5.7. There was no one defending the 2.7 and he wishes there had been. Mrs. Sides thinks she said going to the higher levels that we were going to cut something. Mr. Danielson has a major problem if we give the police side one thing and the non-police side something different. Mr. Zuckerman said it was an average of the last 3 years, but they did not take into account the salary increases. Mr. Danielson said he and Mr. Zuckerman both spoke about the increase from the salary survey. Mrs. McGuire does not want unfunded liability and does not want to pay some employees less money. In the future, Mrs. Sides stated they put the ordinance in place and then realized it was not the best, so they revised it and they were down to the wire. She wants to have more information going into the next COLA meeting and be more collaborative; it was rushed this year. Mr. Danielson mentioned there was also discussion to have two joint meetings. The mayor explained this year was a little out of order. The joint meeting should be held in May. He and Mrs. Sides rant he numbers at 8.7; 6.7; 4.7; and 2.7. The 2.7% worked best for the budget and that was his argument, even if he does not speak up in a meeting. Mr. Zuckerman wants to reach out the SSA and get their thoughts on the impacts from the survey with what we have implemented. Mrs. Sides explained the survey said they were so far behind so if we stuck with index, we would retain our level in

the market. Mrs. Bush wants to stay competitive and not fall back. Mr. Zuckerman agrees, but you don't want to come to a point where you have to freeze everyone. The mayor stated with the survey we gave raises that put employees in the top tier of the market average. The consultant said with a consistent COLA raise we should not be in a bad position, but what is a normal COLA raise? Dr. Kreller asked since we have done the salary survey, gave a 5.8% COLA raise and now merit, can we do a possible salary freeze? Ms. Anderson replied the civil service rules say "shall" for merit increases. Mrs. Bush said we strive to be the employer of choice but is everyone comfortable with the 2.7%. Mr. Zuckerman said his recommendation is to give 2.7% with the recommendation to have the analysis done in a few years. We will revisit this tomorrow night.

Mr. Zuckerman wanted to start going through any line items. The mayor explained the documents sent this afternoon list cuts he made yesterday. This will have to be formally amended in the budget.

Mr. Danielson asked what the revenues for interest income was. Do we have an estimate of what interest rate we are factoring for savings? He would like to know the banks we are using vs Lamp and how often do we shop that rate to make sure we are maximizing the interest available. Mrs. Sides will get back with the answer.

Mr. Danielson asked under general expenditures – comprehensive land use plan revision-what will that entail? The mayor said it will be a committee to review. This will result in a CLURO update. The whole project will cost 250K because it will carry over into next year.

Mr. Danielson asked regarding the cuts listed, when will they be updated on the current budget? He suggested making the revisions instead of at the end because this is \$750K in changes. Mr. Zuckerman just wants to make sure everyone knows they are not voted upon until the end of the operating budget. Mr. Danielson stated these are recommendations from the administration, not cuts by the council. Mrs. Sides will make things a working document.

Mr. Zuckerman would like to get information about the Planning & Zoning line item. Mrs. Sides will forward that detail list.

Mr. Danielson asked about the items in contract services. Mrs. Sides explained this is an addition for ELOS and a \$45K reduction for Kenny Mathew.

Mr. Zuckerman questioned police overtime. Mrs. Sides stated Chief is interested in doing more training, but they do not do training during a normal shift. She and Ms. Anderson are working on lowering overtime across the board. Since we are giving employees COLA and merit, they need to better handle this.

Dr. Kreller asked how do you cut fuel? The mayor stated they used estimates based upon actuals.

Dr. Kreller questioned the amount in cemetery maintenance. Mrs. Sides stated they have been keeping it at \$100K but this year they are using actuals.

Mr. Danielson asked for some detail about the computer supplies & programs line item I in police. What are the plans for this increase? The mayor will have Andrew explain, but this is for annual fees, hardware, support, tazers, in car cameras.

Mr. Zuckerman asked if we could have a realistic forecast for property insurance. Workers' comp cannot exclude the rebate. The rebate this year was around \$190K but she cannot reduce the expenditure because it is a premium rebate. He does not think rates will stay the same – worth a call to the broker.

Mr. Danielson asked how they did the calculation for health insurance and retirees? For the different departments the amounts vary- we only have one policy. Mrs. Sides stated all vacancies are projected at family coverage. Her projection is actual amount plus 8% and then she adds the vacancies at full coverage plus 8%.


PUBLIC COMMENT:

Mr. Glen Runyon stated passing the COLA will create something unsustainable. The salary survey was based upon salary and not total compensation. When you increase salaries by \$350K you have to add another \$0.80/dollar for benefits. Most companies make the employees pay more when their burden rate gets to 30%, the city's rate is 80%. The city has leverage with the civil service board and has to let them know what they can afford. Sales taxes are increasing by around \$4 million but you still have to cut \$750K out of operating. The COLA just adds fuel to the fire. You could go to the civil service board and tell them if they want to have this big increase you will have to take away some benefits. Slidell started making the employees pay for their portion of their retirement. They took away half of their employee retirement one year and removed the other half the following year. Mr. Zuckerman stated they had to do the salary survey and they shot at the high range of the market to be competitive and keep good people.

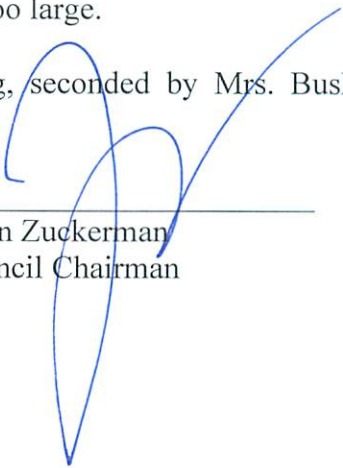
Mr. Buck Abbey stated the budget tells people what the city likes. He would like to see a line item dedicated to nature and urban forestry. Mrs. Sides will provide him with a detailed description of the Planning & Development projects.

Mrs. Janet Smith would like to see the new versions of the budget dates, so it is easier to follow along. She also would like the budget information to be on the finance page of the web site not the important links. The important links is too large.

Mrs. McGuire made a motion to adjourn the meeting, seconded by Mrs. Bush. Mr. Zuckerman adjourned the meeting at 8:15 p.m.



Kristine Scherer
Council Clerk



Jason Zuckerman
Council Chairman