

MINUTES OF THE WILLOWS CITY COUNCIL SPECIAL BUDGET MEETING
HELD May 17, 2011

1. The meeting was called to order at 5:30 p.m. by Mayor Hansen.
2. **PLEDGE OF ALLEGIANCE:** Council Member Hobbs led the Pledge of Allegiance.
3. **ROLL CALL:**
Present: Yoder, Cobb, Hobbs, Holvik & Hansen
Absent: None
4. **Agenda Review:** It was **moved** by Council Member Yoder and **seconded** by Council Member Hobbs to accept the May 17, 2011, Special City Council Budget Meeting Agenda as presented. The motion unanimously passed.
5. **Public Comment:** No members of the Public chose to speak at this time.

FY 2011/2012 Budget Overview:

- Review of 2011/2012 proposed General Fund Budget.
- Council review and discussion of alternative reductions in staffing and/or other methods to reduce the anticipated deficit.
- Council review and discussion of City Hall Hours of Operation.

The City Manager and Finance Director gave the Council an update on the current budget deficit projection for Fiscal Year 2011/2012, informing them that since their last budget meeting held on March 30 when the budget deficit was estimated to be nearly \$333,000, it is now anticipated that the deficit will grow to nearly \$463,000 due to the loss of some state and local funding sources with law enforcement generally used primarily for personnel costs.

At the Council's previous direction, the City Manager and Finance Director met with the two labor associations and the unrepresented employees to request that they take a voluntary 10% wage and benefit reduction in an attempt to cut down the deficit amount. They informed the Council of the outcome of their several negotiation meetings with the Willows Public Safety Association and the Willows Employees Association, stating that both labor groups were asked if they would be willing to voluntarily take the 10% wage & benefit reduction and neither association expressed any willingness to do so. There were some other alternatives regarding the possibility of looking into the employee paying a portion of their PERS which the City currently pays in its entirety, but the level of savings resulting from that was found to be minimal as opposed to the across the board 10% pay reduction. They also met with the four unrepresented employees that have yet not voluntarily given up 10% in wages and benefits that all of the other unrepresented employees voluntarily gave up two years ago, and those four individuals stated that they would be agreeable to a voluntarily 10% reduction in wages and benefits. Additionally it was announced that three Public Works Employees have expressed a serious interest in taking

advantage of the early retirement incentive that the Council directed the City Manager and Finance Director to offer, which would net approximately \$110,000 in savings, bringing the projected deficit from \$463,000 to approximately \$353,000.

Staff is now looking to the Council to give them specific direction on how to proceed at this point and where they propose cuts should be made in order to reach the targeted acceptable deficit of \$100,000 that they agreed upon at the March 30 Special Budget Meeting.

Council discussion ensued and due to the fact that since the last budget meeting the City was projecting a \$333,000 deficit and it has now grown to \$463,000, the consensus of the Council was to raise the targeted acceptable deficit from \$100,000 to \$150,000, however, it was strongly stated that the Council will need to keep a close eye on the budget throughout the fiscal year and they must stick to that target. It was mentioned that even with a \$150,000 deficit, the City may still need to lay off some positions, possibly as many as three members of staff. Mayor Hansen stated that he would implore the bargaining units to continue to work with the City in order to come up with some sort of salary savings, as layoffs are looming.

The Finance Director then gave the Council the net savings if a Public Safety Position were to be laid off (approximately \$57,000), if a Non Public Safety Position were to be laid off (approximately \$30,000 - \$40,000) and if a Department Head Position were to be laid off (approximately \$50,000-\$75,000). He also spoke about net savings if Council were to implement a mandatory 10% furlough (approximately \$137,000), a 12½ % furlough (approximately \$185,000) or a 15% furlough (approximately \$234,000).

Council discussion ensued. Council Member Cobb stated that in looking at the current numbers, it appears that two positions may need to be laid off from Public Safety– one from Police and one from Fire – and that there would still need to be a furlough to make up the shortage of reaching the \$150,000 targeted deficit. Another option would be the layoff of only one Public Safety position with a higher level of furlough.

Council Member Cobb stated that he believes two positions from Public Safety will probably need to be laid off and that still would not get the deficit to it's targeted amount, so there will likely need to be a furlough imposed. If only one position were to be laid off, the furlough would have to be at a rather high level. He stated that he really doesn't see much choice other than two Public Safety positions being laid off and a mandatory furlough in order to achieve the target deficit amount.

Council Member Hobbs inquired whether the employees were given the option or if there were any discussions with the Associations to a high level of furlough as opposed to layoff of positions. The City Manager stated that furloughs have not been discussed with the Labor Organizations. What was discussed with the Associations, per the Council's previous direction, was for them to voluntarily participate in a 10 % wage and benefit reduction across the board. Knowing that if everybody did cooperate and agree to the 10% wage and benefit reduction, the City would still fall significantly short of the deficit number, and some positions would still have to be reduced. At one point, assuming that the Public Works employees were planning to retire and everybody took the 10% reduction, and the Council was willing to use \$100,000 out of

reserves, the City was exceptionally close to being in balance with that number. However, due to the State Supplemental funding going away and the local district funding going away, the discussions were never changed with the labor organizations, but the City has now added over an additional \$100,000 in deficit. The concept of furlough or furlough and layoffs was not discussed with the associations. What was discussed was their willingness to voluntarily adjust wages and benefits to get the City to a point which would be comfortable. There was a discussion with the groups about locking in a particular number on payment of PERS, without the ability to identify what cost in position or staffing it would cost the labor group, but that was as far as they got into the discussion other than to agree that at any level less than 10% or more, it was still likely that there may be a need for reduction in staff. That is the point in which the discussions stopped relative to PERS, as that was going to be significantly below the target levels, so there have been no discussions with the groups about any level of furlough. Furlough discussions are something that have been held in reserve, and something that he spoke to the Council Members about in the past. Council's preference and direction was to work with the labor groups to ask for voluntary participation in a 10% reduction of wages and benefits. During the discussions with the groups, the negotiators and the groups were not able to come to an agreement, therefore an option for the City Council could be to order mandatory furloughs because it is essentially the Council's right to legally control the scheduling and the number of positions that the City has. If the Council is seeking a permanent solution for this year and future years to come, the best option would be layoffs and permanent reductions in work force. If Council is seeking to temporarily address this Fiscal Year's deficit, mandatory furloughs are an option. Most of the neighboring Cities have been implementing furloughs for the last two years, as well as many State agencies. Furloughs are something that the Council can control and it is relatively easy to administer and manage and get into and out of because it can be done relatively quickly. The longer, more permanent solution takes longer to implement and to restore. However \$57,000 in savings from the loss of a Public Safety Position in year one would get the City through the 2011/12 Budget, but in the future fiscal years, the savings would be significantly higher and could be as much as \$90,000 to \$100,000 in some cases.

Council Member Hobbs then expressed that she is not comfortable with asking the Public Works Department to take a 10% wage reduction in light of the fact that three people in that department agreed to take the early retirement option and those three positions will not be re-filled. She believes it is unfair to ask the remaining employees in that department to give up 10% in wages and benefits after they have already given more than what the Council has asked of them and then they are expected to do more tasks with less bodies and less pay. She stated that with the potential savings of \$110,000 that the Public Works early retirements will generate, she really thinks the City needs to look at other Departments to make cuts.

Council Member Yoder asked how many currently unfilled or frozen positions are showing as being funded on the currently proposed budget. The Finance Director responded that there are currently two positions that are unfilled but are still showing as being funded on the proposed budget. Those positions are for the part-time CSO and the part-time Accounting Analyst, which combined comes to a total of roughly \$25,000 to \$30,000. The Finance Director did caution the Council however, that due to a medical issue and the need to hire temporary staff, some of the funds allocated in the current fiscal year's budget for the Accounting Analyst are being used up and will likely continue to be used going into the 2011/12 fiscal year. It is uncertain at this time

how long the temporary staff will need to be utilized. Council then said if there is a potential savings in de-funding these two positions, they directed the positions to be frozen and unfunded, however, not eliminated. This could potentially drop the deficit amount by approximately \$25,000 to \$30,000, depending on the outcome of the medical issue and how long the City needs to utilize temporary staff.

Council Member Holvik then stated that he wanted to go back to Council Member Cobb's original proposal. He stated that he is comfortable at looking into furloughs as an option. He stated that he knew that the Council would definitely be looking at one layoff of a Public Safety position, or perhaps even two or as many as three, but he now believes that the City can avoid three layoffs, and look at the layoff of two Public Safety positions and a 5% furlough.

Council Member Cobb then stated that he and Council Member Holvik appear to be thinking along the same lines, except he believed that there should be only one position laid off with a 10% across the board furlough. The furloughs added to the three early retirements and the de-funding of the CSO and Accounting Analyst positions, would bring the deficit down to approximately where the Council had targeted it to be.

Council Member Holvik stated that his concern about the 10% furlough versus 5% is the same concern that Council Member Hobbs stated earlier, which was that the City is already back-filling the Public Works Department with the early retirement of three members of the department and then to ask the remaining employees to take an additional 10% furlough would be very difficult.

Council Member Cobb understood, but questioned the numbers and if he was correct that if only one employee were laid off and there was a 10% furlough across the board that the City would actually fall below the \$150,000 projected deficit. The Finance Director confirmed that if that were the scenario, it would bring the projected deficit down to approximately \$131,000. Council Member Hobbs then questioned that if Public Works were to be excluded from the furlough, would that still be the projected deficit amount? The Finance Director stated that the numbers that he prepared this evening for the various levels of furloughs were created with the assumption that the furloughs would be across the board for all employees. The Council then directed the Finance Director to put together several scenarios for Council to Review at the next budget meeting. The scenarios requested were to show the net savings if 1 position was laid off and there was a 10% furlough across the board, if 2 positions were laid off and there was a 10% furlough across the board, if 1 position was laid off and there was a 5% furlough across the board, and if 2 positions were laid off and there was a 5% furlough across the board. The Council added that they also wanted to see the net savings of these same scenarios *without* the remaining staff in the Public Works Department having to furlough (assuming there are three early retirements).

Mayor Hansen then questioned whether the Part-Time Recreation position is necessary, stating that he has a real concern with laying off Public Safety Personnel when there are some part-time positions that the City could trim down. He stated that he didn't mean to indicate that these positions weren't important, but since the Council is looking at cost saving measures from all departments, he wondered if some of the part-time positions were in fact necessary.

Council Member Holvik stated that he believed that there may be many nickel and dime line items in the budget that the Council could also look at in order to get the numbers down to something that is workable. He reiterated that he knows the Council is definitely looking at one layoff, and possibly two depending on how the numbers come out. His concern is looking at the community also and what the City will be able to provide. He stated that he would have really liked to avoid the furloughs if possible because that has a big impact on the services provided by the City to the Citizens. It would have been his preference to see the employees agree to the 10% pay cut rather than furloughs, however, there is nothing that the Council can do to implement a 10% pay cut if the unions don't agree to it. A 10% furlough essentially results in a 10% reduction in City services provided to the Community.

Mayor Hansen then added that he would like to see a line-item budget presented to Council at the next budget meeting so the Council can really see what services are essential and can't be cut and what services may not be so essential and could possibly be eliminated. Council Member Holvik agreed that this is something he would also like to see. The Finance Director indicated that he will put together a line-item budget before the next budget meeting but he would need approximately 2 weeks in order to prepare the line-item budget. For clarification purposes, he stated that what he will present to the Council at the next budget meeting will be a line-item budget which starts out with the \$462,000 deficit, then takes into account the net effect of the three Public Works Department retirements and the \$26,000 put-back for part-time seasonal Public Works help, and the reduction of the Accounting Analyst and CSO positions. This will leave roughly a \$325,000 deficit and at that point Council will make the decisions regarding personnel layoffs and furloughs based on the various scenarios that will also be presented to them at that time. The Council concurred that this is what they would like to see take place at the next budget meeting.

Due to the time of evening and the fact that there was a Regular City Council Meeting scheduled to occur at 7:00 this evening, the Council decided to table discussions about the City Hall Hours of Operation until the next budget meeting. It was determined that the next Budget Meeting would take place on June 2 at 7:00 p.m.

Mayor Hansen adjourned the meeting at 6:46 p.m.

Dated: May 17, 2011

NATALIE BUTLER

City Clerk

The City of Willows is an Equal Opportunity Provider