

MINUTES

BOARD OF DIRECTORS MEETING

DECEMBER 15, 2009, AT 7:00 P.M.

The regular meeting of the Board of Directors was held on Tuesday, December 15, 2009, at 7:00 p.m., Board Chambers, City Hall, with Mayor Mike Bush presiding.

The invocation was given by Ms. Joyce Denton, and Pledge of Allegiance to the Flag was led by Mayor Bush.

Mayor Bush called the meeting to order at 7:00 p.m.

1 Roll Call

Roll call was as follows: Present: Directors Peggy Maruthur, Elaine Jones, Cynthia Keheley, Pat McCabe, Rick Ramick, Tom Daniel, and Mike Bush, total 7.

2 Approval of Agenda

A motion was made by Director Daniel, duly seconded by Director McCabe, that the agenda be approved.

Upon discussion, Director Keheley requested that Agenda Item No. 21 (Claim from Mr. Tim Winston and Mr. Max Balke Regarding Reimbursement for Right-of-Way Work on Mangum and Columbia Hills in the Amount of \$11,579.68)) be removed from the agenda at the advice of the City's counsel.

Director Maruthur requested that Item No. 26 (Proposed Ordinance No. O-09-52 Adopting the Budget for the City of Hot Springs, Arkansas, for the Year 2010; and for Other Purposes) be moved to Item No. 21 under New Business.

Mayor Bush then called for a vote on the motion to approve the agenda, as amended; and upon roll call, the following voted "aye": Directors Maruthur, Jones, Keheley, McCabe, Ramick, Daniel, and Bush, total 7; motion unanimously carried.

3 Approval of Minutes of December 1, 2009 Board Meeting

A motion was made by Director Maruthur, duly seconded by Director Ramick, that the minutes of the December 1, 2009 Board Meeting be approved; and upon voice vote, the motion unanimously carried.

4 Recognition of Guests

Mayor Bush recognized Ms. Karen Garcia, chairperson of the Transportation Advisory Committee, who reported that the main function of the committee is to ensure the adherence of the Hot Springs Transportation Code for the transportation of all passengers for hire by motor vehicle and other means within the Hot Springs area. She mentioned that they work with taxicabs, limousines, sightseeing vehicles, ducks, trams, trolleys, airport and specialty transit, public transit and Intracity Transit. Also, looking to the future, they discuss at their meetings alternative fuel, long-range planning, potential for commuter rail between Little Rock and Hot Springs. However, the committee meets only when there are items to consider; and it typically meets at least quarterly. She said that she has a hand-out that includes additional information about the committee's roles, responsibilities and duties. Also, included in the hand-out are all the members of the committee. She mentioned there is one opening on the committee and encouraged citizens to apply.

Director Maruthur questioned if this opening is district-sensitive, and Ms. Garcia replied that there are no district requirements for that position; therefore, it would be citywide.

Director Keheley stated in the older part of Hot Springs, there are numerous old buildings; and many have gone through a variety of uses and have declined in their appearance and effectiveness for Hot Springs. She mentioned that one such building is the old Hamp Williams Building in District 3 and is located at the corner of Hawthorne and Ouachita Avenue directly across from the Garland County Courthouse. She added this building and its adjacent properties have now been revitalized and introduced Les and Diana Surfes, who are the owners of the Surfes Culinary District.

Ms. Diana Surfes said she is from Hot Springs, and it has been disheartening for her to watch the neglect and the deterioration of the many old historic buildings. She noted that she and her husband decided they could do something about one building; and as far as she knows, this is the largest, private renovation in the City, containing

50,000 square feet. She stated this was a neglected, deteriorated 1920 shell of a building at Ouachita and Hawthorne.

Mr. Les Surfias stated he has grown to love Hot Springs and almost reminds him of how he remembers California 60 years ago. He said that he and his wife have spent close to \$3 million on the project, and they are now 63 percent occupied and really not complete. He mentioned that every City department, agency, Director Keheley, the Fire Department, and everyone have been very helpful and cooperative. He added that the Fire Department has been strict and made him follow the rules, but they also use common sense; and the same goes for the City's Building Department. He pointed out they do what is good for the safety of the public, but there is also common sense involved. He said they have been victims twice in California of eminent domain for the taking for private use. However, he is a believer in public safety.

Director Maruthur said they have scratched the surface of preserving the City's history because that will secure its future. She commented without history, all that is left is land; and anything can be put on land, but history cannot be re-created. She expressed appreciation to what they have done for the community.

5 Board of Directors Announcements

Mayor Bush announced that Director Elaine Jones will serve as the Assistant Mayor from January through June 2010.

CONSENT AGENDA

The Consent Agenda consisted of the following:

6 Board of Directors Meeting Schedule (January thru June 2010).

7 Public Safety Report (December 1, 2009).

8 Proposed Resolution No. R-09-278 Approving Certain Bid Awards (a) Chlorine - Utility Administration [annual supply contract awarded to Allied Universal]; (b) Cellular Phones/Service - Various Departments [annual supply contract awarded to Sprint]; (c) Transmission Repair - Fleet Service [annual supply contract

awarded to Ton's Transmission Specialist]; (d) Turnout Gear - Fire Department [annual supply contract awarded to Pro-Fire Equipment and Casco Industries].

- 9 Proposed Resolution No. R-09-279** Authorizing the Mayor to Execute a Lease Agreement Between the City of Hot Springs Airport and City of Hot Springs Traffic Services.
- 10 Proposed Resolution No. R-09-280** Awarding a Contract to A. L. Franks Engineering for Engineering Design, Bid and Construction Services Related to the Automated Meter Infrastructure (AMI) Project.
- 11 Proposed Resolution No. R-09-281** Authorizing RJN Group to Proceed with Phases 2b and 3 of a Contract to Survey and Model the Wastewater Collection System.
- 12 Proposed Resolution No. R-09-282** Extending a Contract with FleetCor Technologies, Inc. for Off-Site Fueling Services.
- 13 Proposed Resolution No. R-09-283** Extending a Contract with Coulson Oil Company, Inc. for the Purchase of Certain Motel Fueling Equipment.
- 14 Proposed Resolution No. R-09-284** Extending a Contract for Consulting Services with Ken Freeman (Trails Coordinator).
- 15 Proposed Resolution No. R-09-285** Awarding a Contract to Matrix Imaging Solutions for Printing and Mailing of Utility Bills and Providing Services Related to Electronic Bill Pay and Presentment (EBPP).
- 16 Proposed Resolution No. R-09-286** Extending a Contract with Healthscope Benefits/Cornerstone Benefits as Third-Party Administrator/Agent for the City of Hot Springs Self-Funded Employee Group Health Insurance Program.

17 Proposed Resolution No. R-09-287 Extending a Contract with Voluntary Benefits Administrators, Inc. for Flexible Spending Insurance (Cafeteria Plan).

18 Proposed Resolution No. R-09-288 Authorizing an Agreement Between Garland County and the City of Hot Springs, Arkansas, for Animal Control Services.

A motion was made by Director Jones, duly seconded by Director Ramick, that the Consent Agenda be approved.

Upon discussion, Director Daniel stated on the Public Safety Report, there is a recommendation to remove the stop signs at the intersection of Quail Creek and Ravenwood and Whispering Hills. City Manager Lance Hudnell explained that was adopted several meetings ago and was posted. He said the City is now getting comments back from that, and it will probably be coming back to the Board as a result of the meeting that was held today. However, it is not on tonight's agenda. Director Daniel said stop signs were there, and somebody wants to remove them. He pointed out once there are stop signs in a neighborhood, they need to remain.

Mr. Steve Mallett, Deputy City Manager for Utilities and Public Works, advised it was two meetings ago when this was approved; and the City received numerous public comments against that. Therefore, staff reconsidered it again today at the Public Safety meeting; and it will come back to the Board.

Mayor Bush then called for a vote on the motion to approve the Consent Agenda; and upon roll call, the following voted "aye": Directors Jones, Keheley, McCabe, Ramick, Daniel, and Bush, total 6. Voting "no": Director Maruthur; motion carried.

PUBLIC HEARING

19 Consider Public Hearing on the Issuance of Waterworks Revenue Improvement Bonds for the Purpose of Financing the Costs of Betterments and Improvements for the Waterworks System of the City.

At this time, Mayor Bush declared the public hearing open on the issuance of Waterworks Revenue Improvement Bonds for the Purpose of Financing the Costs of Betterments and Improvements for the Waterworks System of the City.

Mr. Steve Mallett, Deputy City Manager for Utilities and Public Works, stated that sometime ago, the Utilities Department submitted projects to the Arkansas Natural Resources Commission (ANRC) to be considered for federal ARRA stimulus funding. Earlier this year, the City received notice from them that none of the projects were selected for that funding through the stimulus package. However, approximately three months ago, the City was further notified that one of its projects did qualify for the green stimulus funding, which is to install automated meter reading equipment on all of the City's meters. He stated the City indicated its willingness to pursue that, and they offered that as a maximum amount of \$5.5 million at a one percent interest rate; therefore, the City indicated its willingness to pursue that. He said due to time constraints and all of the regulatory process involved in receiving the funding, the City quickly moved to get in the process to put it in position to accept the funding for the project with the understanding the project costs provided the payback, which will be known by December 28 when the bids are received. In addition to this stimulus funding, the ANRC also offered up to an additional \$7.5 million through the annual State Revolving Loan Fund process. He advised this money was offered to the City as an option in case it desired to replace all of its meters at the same time. He commented at this time, the City is only seeking to authorize the issuance of bonds in the next item for the \$5.5 million of stimulus funding.

Director Maruthur questioned if this was specified as to the location, and Mr. Mallett advised this would be citywide and outside the city limits. He stated all 30,000+ of the City's meters could possibly be implemented with the automatic meter reading equipment. However, the City will get a bid and may decide to do only a portion of those depending on how the numbers come in. He added the City will have to look at its payback schedule to make sure it is feasible to do that.

Director Keheley commented she wanted to be sure this will address a good portion of the loss of water with the new automatic meters. Mr. Mallett replied that it will assist in that area. He added that is not as much the intent as it is to reduce manpower down the line. He stated the City will still have the installation costs, and there will still be quite a bit of time going back. He said the City will reassign some of that personnel. However, over time the City will be able to, through attrition, let some of those individuals go. He stated this will also help account for water, and the City will be able to more quickly identify leaks in residents' homes. He commented that currently when residents have leaks, it may be a month before they get the bill and a month and half before the City is actually notified, which may run up a sizeable bill. He said that is accounted for, and the City does account for that. He added the City does that immediately so it really will not have that large of an impact on unaccounted for water. However, it will help the City in keeping that water within the system and will

address the overall quantity issue. He advised that one thing the City has considered doing, since the \$7.5 million through the State Revolving Fund is available, is putting a package together. However, if the City does not replace the meters and then addresses the unaccounted-for-water through a leak detection and main line replacement program, then staff may bring that back to the Board at the first of the year if it realizes the meters are not as large a part of the issue as it was thought they were in the beginning.

Director McCabe requested that he explain the technology involved and asked if he is not going to have to have a man out reading or getting out of the truck. Mr. Mallett advised that each meter is equipped with an antenna and a transmitting unit that transmits the repeater that is strategically located. Due to the City's topography, he said there will probably be quite a few of those repeaters because they have to hit all of the pockets; but one of the systems they are looking at is the two-watt, which is a heavy signal; some of the others are smaller wattage signals. Therefore, they will have to have more power. He said the City will have to take all of that into account when it looks at the bids. He stated that it transmits a signal and beams it back to the Finance Department and the City's billing system. Therefore, employees can read all of the meters on one day, plus the City can get daily readings, hourly readings, or however the City wants to program it. He advised it will have an effect on the lifetime of the battery if they do that, but the batteries last as long as the units do. He explained this is considered a loan; but since ANRC is not a bank and cannot actually loan money, the City basically issues bonds; and they purchase all of the bonds at a one percent rate.

Director Maruthur asked if this covered any future extensions of water, and Mr. Mallett replied that it would not; but any new meters that went in would have to be equipped with that, which would be an additional cost to implementing the meters on the front-end. Director Maruthur asked how this is tied to the City's new system, and Mr. Mallett replied that the rates basically remain the same; and they do not change. He stated it just allows the City to read them in a different way rather than going out and reading them.

There being no further comments, Mayor Bush declared the public hearing closed.

NEW BUSINESS

20 Proposed Ordinance No. O-09-47

An ordinance entitled, "AN ORDINANCE AUTHORIZING THE ISSUANCE OF WATERWORKS REVENUE IMPROVEMENT BONDS FOR THE PURPOSE OF FINANCING THE COSTS OF BETTERMENTS AND IMPROVEMENTS TO THE WATERWORKS SYSTEM OF THE CITY, INCLUDING PARTICULARLY WITHOUT LIMITATION, AUTOMATED METER INFRASTRUCTURE IMPROVEMENTS; PROVIDING FOR THE PAYMENT OF THE PRINCIPAL OF THE BONDS; AND PRESCRIBING OTHER MATTERS RELATED THERETO," was taken from the agenda and read by title only.

A motion was made by Director McCabe, duly seconded by Director Jones, that the rules be suspended and the ordinance be read for the first time by title only; and upon voice vote, the motion unanimously carried. The ordinance was then read for the first time by title only; and upon the question "Shall the ordinance be passed as read?" and upon motion of Director Daniel, duly seconded by Director Keheley, that the ordinance be passed as read.

Upon discussion, Director McCabe questioned the earliest this can be implemented; and Mr Mallett advised that possibly starting in February or March. He noted there is a February 17 deadline when all of the contracts have to be executed. He said that he would estimate a March-April timeframe for them to get started, but it would depend on the availability of 30,000 of the units.

Director McCabe commented this is assuming the State of Arkansas has the stimulus money, and Mr. Mallett replied that the City has the ability to get \$5.5 million right now. He stated they administer it through their normal loan program, but none of this is being "forgiven." He commented that some cities are getting part of the stimulus money as a true grant, and part of the principal is being "forgiven." He advised as of right now, the City has asked for some of it to be "forgiven." However, their response is they are not willing to "forgive" any of the principal at this time.

Director Ramick questioned if City employees or contractors would be installing the meters, and Mr. Mallett advised that City employees will assist; but mainly it will be contractors for a project of this size. He noted there was discussion regarding doing it in-house, but it would take more than a year if the City could even get it done in that timeframe, plus the City would like for them to be somewhat liable for the installation. In that case, he said if the City had issues with it, it can go back on them rather than them blaming the City staff.

Director McCabe commented that he said the stimulus money was not being “forgiven.” Therefore, the City is really not receiving \$5.5 million of free money even though there is one percent and is going to be paid back through the rate structure. Mr. Mallett replied that is correct, and that is the way the Natural Resources Commission has worked with most people. He said he did not think in any case, they have “forgiven” all of the principal; but in many cases, they have “forgiven” some of it.

Director McCabe pointed out that normally when people are watching the national news, stimulus is free; but this is not free. However, it is a very low interest rate.

City Manager Lance Hudnell stated he assumed they will put it back into their revolving loan fund. Mr. Mallett commented they said they will be able to do more projects with the stimulus money added in as kind of a supplement to that.

City Attorney Brian Albright pointed out it is going to be cheaper than conventional financing that the City would go through with a normal bond issue.

Director Maruthur asked how many people it will free up to do other things when the City goes to this new form of reading; and Mr. Mallett advised at the present time, there are nine or ten employees dedicated to reading meters in walking and driving routes. He said the City plans on utilizing their talents as well. He added some of them will have to go back and re-read and verify that the numbers are correct. He pointed out even though they are automated, there will still be people who challenge the readings. He commented the City is going to reassign some of these employees to either lead detections and some of the unauthorized usage in industrial establishments who have fire lines going in that the City does not meter. He stated the City can put units on there to detect whether or not they are using water (unauthorized usage of water). He said the City is going to reassign some of them to other jobs; but over time, some of them will be let go as they leave through attrition.

Director Maruthur commented this will be a real improvement to the service of the City, and Mr. Mallett said that it would. He mentioned if there is not a payback involved, the City will not move forward with the project. He stated it may come down to going back to ANRC and saying the City cannot do it at the price quoted; but if it forgives \$1 million, then it becomes feasible. He pointed out there is still some room even after the bids come in. However, the City does expect them to come in favorable on the front-end; but the City does have that option if they do not.

Mayor Bush then called for a vote on the motion to adopt; and upon roll call, the following voted "aye": Directors Maruthur, Jones, Keheley, McCabe, Ramick, Daniel, and Bush, total 7; motion unanimously carried. Whereupon the ordinance was declared passed.

21 **Claim from Mr. Tim Winston and Mr. Max Balke Regarding Reimbursement for Right-of-Way Work on Mangum and Columbia Hills in the Amount of \$11,579.68 . (Withdrawn from the Agenda)**

26 **Proposed Ordinance No. O-09-52**

An ordinance entitled, "AN ORDINANCE ADOPTING THE BUDGET FOR THE CITY OF HOT SPRINGS, ARKANSAS, FOR THE YEAR 2010; AND FOR OTHER PURPOSES," was taken from the agenda for consideration.

A motion was made by Director Ramick, duly seconded by Director Jones, that the rules be suspended and the ordinance be read for the first time by title only; and upon voice vote, the motion carried, with Director Maruthur voting "no." The ordinance was then read for the first time by title only; and upon the question "Shall the ordinance be passed as read?" and upon motion of Director McCabe, duly seconded by Director Ramick, that the ordinance be passed as read.

Upon discussion, Mr. Ted Burhenn, 318 Trapp Mountain, spoke in opposition to the ordinance. He pointed out that salaries are going to be cut on everyone except department heads. He said he has received numerous calls today, and one individual told him he was threatened to lose his job if he complained. He commented if the City is going to give \$10,000 raises to people, it needs to do something for the workers also. He mentioned corridor annexation, which he said was one of the items brought up in the memo sheets; and the City is going to see a lot of opposition. He recommended that the Board start working on some of the things where there is waste and not raises.

Mr. George Pritchett, 125 Carl Drive, said he has attended all of the budget meetings and appreciates all of the hard work everyone has put into it. He noted that he may not agree with the results but thanked everyone for trying so hard. He pointed out that revenues do not equal what they have in the past, and there are no reserves. He stressed that his greatest concern about this budget is much of it is at the expense of public safety, and it also ignores a crumbling infrastructure. He mentioned that priorities demonstrated by the Board differ than what was in the November 6

Sentinel-Record, which was the result of a poll by the City Manager. He said in that poll, public safety was the greatest; but that was not true in this budget. He stressed that he has appeared before the Board on other occasions mentioning that the City needed to reduce employees, not because he wants people to lose their jobs; but that is how money is cut out of the budget. He stated when the City furloughs its employees, it is the same as a one percent pay cut to everyone. He said closing city offices three business days is unacceptable; and closing fire stations for even a few hours may result in tragedy and loss of life to the citizens or the firefighters. He commented that capital (current and long-term) has virtually been eliminated from this budget, and major capital improvement funds are nonexistent in the budget. He pointed out that the street paving program was eliminated until Director Keheley made a suggestion to return \$100,000. He said the City can do 7/10 of a mile, which is better than nothing. He commented that someone contacted him today regarding spending earmarked funds for something other than what they are earmarked, and he was concerned about fuel tax funds, gasoline, diesel, etc. He said that City Manager Lance Hudnell answered him today that the City does not intermingle funds. He expressed concern that the City still takes earmarked funds for streets, paving, etc. He pointed out that the Board overruled the City Manager's recommendation to fund 50 percent of the Garland County Economic Development Program. He commented it is a good program, and there are not bad programs in this budget. However, he believes 100 percent funding of this sends the wrong message to the public. He stated the Board has placed economic development and quality of life items above public safety. He noted if they continue to recruit, it is a great program; but he would not support taking this money and building another shell building in this economy. Fully funding the city beautification is another program, which is a wonderful program. However, he did not think it is the right message to the citizens to 100 percent fund it, particularly a program that the County has chosen not to fund. He stated Parks is the No. 1 factor for the Board that is supported by the fact that it cut 1.1 percent (\$13,000) out of a \$1.17 million budget, which was rated No. 11 on the Board's list of priorities. He commented he is a little concerned that the wrong message was sent, and the City is again placing its citizens at risk. As far as recreation, he commended everyone on the Board who supported reducing the funds in the recreation program, not because he dislikes recreation, but because the Board has to find some money, which it did. He said several weeks ago, he appeared before the Board and said it needs to cut 10 percent of its employees, not because he wanted it to, but because he thinks that is how the City will find the money. He pointed out the 2011 budget is going to be difficult to balance. He stated the five-year plan projection increase of 2.3 percent for 2011, total revenues fall short of the 2009 budget by \$189,000, slightly less than one percent. Not until 2012 are the General Fund revenues projected to exceed the 2009 level and then only by \$300,000. He asked that the

Board reconsider this budget and keep in mind the priorities that were printed in the newspaper on November 6. He requested that the Directors talk to some citizens and not protect pet projects. He also asked that the Board not succumb to pressure from prominent citizens who want their pet projects funded. He said citizens go to sleep in town every night, depending on the firemen and the policemen and go out in the summer time and enjoy the parks and sometimes in the winter. He requested that the Board not ask the citizens for more money because they are not going to vote for it until the budgets get to be more responsible. When the funds are limited, he urged the Board to make the hard decisions and eliminate the nonessential services.

Director Maruthur said she took three funds (governmental, enterprise, and the internal service) and added up the travel; and the department heads asked for \$205,976. She said the City Manager took out \$138,616. She pointed out adding up the three funds came to \$67,360 proposed for travel. She stressed that the City needs to take care of its basic and essential services and according to law, public safety. She stated the City can have all of the programs and events it wants; but when people cannot pay their utility bills because the City keeps adding on rates and fees without a vote, it is not going to work. She pointed out that during the budget sessions, the Board struggled through the budget and many simple questions were asked about the budget. She pointed out that "I am confused" was said by many of the Directors. She mentioned one comment that was made was on an election expense, and nobody understood why the City was paying it and then was told the Arkansas Municipal League was going to pay; but the Board did not know. She said a comment was made that the person who lost the election should pay. She commented when she went over the budget and found that the City was proposing in this budget to spend \$67,360 on travel, she did not think that was fair to the people. She pointed out the City has been providing things that were nonessential, and a lot of people got jobs; and many people have enjoyed programs. However, the City cannot continue to suspend things and then bring things back when the City Manager has made it very clear that 2010 is going to be a very rough year. She added there is no way to project, and the only thing the Board can do is take this budget and keep the public safety and essential services whether the Board likes it or not. She said she cannot support just spending money because the Board has had meetings. She mentioned she has received numerous letters and phone calls. She noted it is being proposed to spend more money on January 13 on travel, for the Mayor and City Manager, and others attending the meeting in Little Rock.

Mayor Bush pointed out that it will not cost \$67,360 to go to Little Rock, and Director Maruthur replied she is not talking about that; but she did not know if it is

factored into the \$67,360. She said her point is if the Board can find money in this budget, there is a very good chance that it can eliminate the need for furloughs and cutbacks. She stated that she was very upset about the three employees who are going to lose their positions and was hoping they could be transferred to another department. She said that she recommended that to a department that is really in need and suggested reviewing it and go through the budget before it is finalized.

Mayor Bush commented that the Board has already had eight discussions on the budget, and she was at every one of them.

Director McCabe noted there have been four meetings, and everyone has been in attendance.

Director Maruthur asked if the Board was willing to approve the \$67,360 and said she was not. Mayor Bush commented that she needs to vote "no" on the budget. Director Maruthur replied there are people who are really going to suffer, and Mayor Bush pointed out that everyone is involved from the top to the bottom, not just public safety.

Director Keheley commented that the Directors have spent many hours reviewing this budget and worked very hard and commended the City Manager and all of the department heads for their efforts. She noted the Directors have attempted to set priorities and attempted to find ways of addressing the significant drop of revenue in 2010. She said she was also concerned that the City had to furlough 623 employees in every department across-the-board because of the General Fund shortfall, which will result in shutting down City Hall three additional days this coming year. She pointed out as an example of the budget cut, the Fire Department shuts down every 21 days; and as the Fire Chief stated in a memo to the Board, the Fire Department is nearing the point where the delivery of services will be compromised. She said she is concerned as is everyone on the Board that the City is having to lay off employees and freeze positions, and it impacts the public safety program. She stated she is also concerned about the timing and the position of some reclassifications at this time and having to turn off street lights to save \$50,000. She stressed that street lighting is fundamental to the safety of the drivers, cyclists, pedestrians, and all of the neighborhoods in the reduction of crime. She said there cannot be a policeman on every corner, but there could be a street light. She stated they have all but eliminated the street paving program, which will mean the street infrastructure is going to continue to deteriorate and will result in high maintenance cost and replacement later. She mentioned that the Board deferred a program in the Fire Department which would improve the response to

citizen emergencies. Also, she expressed concern with funding the outside agencies. She noted the outside agencies came to the Board at the very beginning of its discussion, and it was at the initial work session requesting full continuation of their request. She pointed out the City Manager had made an earlier recommendation of cutting them at 50 percent, and she would like for the Board to consider returning to the City Manager's recommendation for funding outside agencies; but if not, the Board should at least defer any disbursement of these funds until the midyear review to determine if the City can still afford the level of funding or approve even more service reductions. She noted that the Board does not know what the future is going to bring next year, but it has to prepare for the worst. She mentioned the City Manager has informed the Board already that he is developing a process in 2010 to reevaluate every department in the City and every position. She said she believes the City Manager and department heads have worked hard confronting these problems, and she feels the proposed budget is the best solution to a revenue shortfall at this time, with the exceptions she stated above.

Director Maruthur said she would like to apologize to the people and has been fighting for the infrastructure, lighting, Fire Department, Police Department, and Public Works. She pointed out that she has a pipe which was not replaced until the ice storm.

After this, she had to ask the Board to implement a replacement program for pipes and get a street lighting replacement program; but now they are going to be cut. She commented that Director Keheley just mentioned funding the outside agencies. She added it is not a matter of choice but is a matter of what the Directors are going to do with their vote. She mentioned that she found \$67,360 for travel and suggested the Board and department heads revisit the budget and come up with items that are not essential. She explained that the pipe she is holding was the very first water main and was by the fountain on Central and Reserve. She commented this broke during the ice storm ten years ago.

Director Daniel said he agreed with the statements made that the Board has spent a lot of time and effort and worked hard in trying to figure out what was best for the City. He stated he cannot think of anyone on the Board who is not concerned with public safety. However, he has faith in the City's administrators and staff. He suggested that citizens get together and start neighborhood watch programs. He commented that he could not go back to the department heads and ask that they cut another five or ten percent because that will then be cutting into services. He mentioned that he has faith in the policemen and firemen, and they are professionals. He said when there have been storms, he has gone out with the water and sewer employees at 1 a.m. or 2 a.m. to see if they can get pumps to pump out residents' basements and

businesses. He noted that he knows what the employees do and appreciates it, but they get paid for it. He mentioned that he was the first one at the budget meetings who did not and would not vote for taking away something that employees were already given. However, he pointed out the City is at crisis time, and it is still good to have a job.

He mentioned that unfortunately, everybody might not have one; but most people are going to have a job. He stated that the money for Utilities comes out of a special fund. However, most employees of the City or half do not come out of a special fund and is the General Fund, which is sales tax revenue. He urged people to shop in Hot Springs because the City gets the money from the taxes. He said if people spend money in the County, the City does not get money off that. Also, for those who live in the County, they do not get money off that for general sales tax. He said that he believes the staff and administrators will get the City through.

Director McCabe pointed out when the Board started this process, there was a \$900,000 deficit, meaning the Board was going to take \$900,000 out of Fund Balance; and the City generally only has \$1.1 million to \$1.2 million of cash in the General Fund balance. Then there is Accounts Receivable. He said that he questioned what their goal was, and City Manager Lance Hudnell gave an answer. He stated that he said if the Board's goal is to accept \$900,000, the Board cannot do it because the City has only \$1.1 million in cash at any one time. He commented if the goal is to cut the budget, the Board is going to probably have to look at payroll because that is where the majority of the expenses are; and in many areas, that is the way the majority of expenses are in businesses. He said the Board spent five hours that night going through the budget, five hours the next Monday, and then the next Monday. The third meeting, they had a three-hour meeting. At the end of that third meeting, he made the comment this is not going to work; and the Board is going to have to cut off that \$900,000. He said the Mayor asked him what number; and he replied it was \$450,000, which would be through labor. He noted the Mayor then went around the room; and everybody agreed with \$450,000, including Director Maruthur. City Manager Lance Hudnell worked with his department managers, and they were able to come back with a budget that is within the \$400,000 range or actually it is around \$370,000 shortfall. He pointed out a budget is a working document and is not something that is set in concrete. He expressed concern with the budget, and the reason he pushed getting down to \$450,000 was to give some extra room. He pointed out if the first quarter of 2010 is very bad, then the Board needs that extra room. Otherwise, there will be an emergency meeting early in February to figure out what the City is going to do. He added this allows the Board flexibility to take a step back and make common-sense decisions based upon the information available and not in panic decisions. He said he is pleased with where the City is but is not happy that cuts had to be made. He mentioned in The

Economist magazine, there is an article that discusses every city in the United States is going through the same thing. He noted that he has been very impressed with the department managers and city administration in their effort; and as far as street lights, Mr. Mallett had said that sometime back the lights the City is focusing on are lights that are redundant in which there is sufficient light in the area. He pointed out that the Directors do not have to be a CPA to deal with a budget. He stated the Board is going to start the 2011 budget early, but the 2010 budget is still going to be reworked as the Board goes through the year.

Director Maruthur commented that the Board has just spent ten minutes telling the city employees to not be discouraged. She stated that at most of the budget meetings, the Directors did not know how to read the line items or what these things represented and that included Director McCabe.

Director McCabe asked what areas he did not understand, and Director Maruthur replied that he said he was confused and did not understand. Director McCabe replied that was relating to the comments she was making, and she had an oratory that no one understood. Director Maruthur responded that was when Director Daniel, who gave his oratory, said that "we are going to hang in there," and the city employees are really "thrilled" about the furlough. She stressed if the budget is passed, it is placing a burden on the employees. She pointed out the Directors cannot take care of outside agencies and keep the things they would like just because they want to. She said this is what has been happening over the past years, and there are people who are dependent on these programs now for their livelihood. She pointed out that was why she asked about these three employees being transferred to a department in need. She stressed that the \$67,360 for travel is unacceptable; and the only thing the Directors can do is speak with their vote and keep things that are essential. She noted the department heads have worked very hard, and the Board has given a lot of its time. She commented there is no shame in not knowing what some vague statement means.

Mayor Bush asked whose vague statement she was referring to; and Director Maruthur said in the budget, every single Director asked what it meant. Mayor Bush pointed out that is why they have budget sessions to try to understand. Director Maruthur said the point is that she found \$67,360 just in travel and believes it should be cut. She stated that she thinks going back and trying to cut out other nonessential things can help as far as the furloughs. She noted that having studies done and hiring another consultant is a waste of money.

Director Jones asked if she has ever voted for a budget, and Director Maruthur said that she had. Mayor Bush asked her when she voted on a budget, and Director Maruthur replied when she thought it was right.

There being no further discussion on the budget, Mayor Bush called for a vote on the motion to adopt; and upon roll call, the following voted "aye": Directors Jones, Keheley, McCabe, Ramick, Daniel, and Bush, total 6. Voting "no": Director Maruthur; motion carried. Whereupon the ordinance was declared passed.

22 Proposed Ordinance No. O-09-48

An ordinance entitled, "AN ORDINANCE AMENDING THE HOT SPRINGS SOLID WASTE ORDINANCE (ORDINANCE NO. 5400) BY REVISING THE SCHEDULE OF RATES AND CHARGES; AND FOR OTHER PURPOSES," was taken from the agenda for consideration.

A motion was made by Director Ramick, duly seconded by Director Jones, that the rules be suspended and the ordinance be read for the first time by title only; and upon voice vote, the motion unanimously carried. The ordinance was then read for the first time by title only; and upon the question "Shall the ordinance be passed as read?" and upon motion of Director Jones, duly seconded by Director Ramick, that the ordinance be passed as read.

Upon discussion, Mr. Bill Burrough, Sanitation Director, advised this ordinance includes a schedule of rates with incremental rate increases for several services provided by the Sanitation Department. The rate increases include an annual three percent increase for the commercial dumpsters for the years 2010 through 2014. It has an annual three percent increase in roll-off haul rates that will take effect in the years 2012 through 2014. There is a \$1 increase for the residential 96-gallon containers, which is billed monthly for the years 2011 through 2014. He stated they will not go up in 2010; however, for those last four years of this five-year schedule, they will. There is a 50-cent increase in the 48-gallon container on a monthly rate for 2011 through 2014. It also includes a three percent increase in the rates that the City established for the City's parks for 2011 through 2014. He advised there are incremental increases in miscellaneous fees, such as container delivery, etc.; and these increases are necessary to continue a positive fund balance through 2014 and maintain the current level of

services. He pointed out the citizens enjoy many things when it comes to sanitation services, which include CAPS, recycling, and litter abatement, that are nonrevenue producing functions that the City does as a service to the citizens. He noted all of that rolls into the rates. He said some funds are stand-alone funds, and Sanitation is one of those. He mentioned the rates have to cover all of their services, and they have some of the best services in the City and would put their services up against any in the nation. However, to continue to have those kind of services for the citizens, they have to have foresight and look to what is going to happen in the future. He pointed out there have been many things that have impacted the solid waste industry, such as clean air emissions and engine emissions on their sanitation trucks. He added the Sanitation Department went through that in 2007, and it happens again in 2010. He said their vehicles go up \$10,000 each; and five or six years ago, they could get garbage trucks for \$160,000 to \$170,000. However, today they are \$230,000. He stated in 2011, they are going to see the landfill rates increase and were able to extend them through September 2011 but are looking at a \$5 increase during that time. He said if they do not prepare for that now, they are going to be in trouble when they get to that point and have to go back to the citizens for a major increase. He stated he believes that incremental increases each year are a necessity and to have the foresight that they are taking care of things in the future that they know are coming today. Therefore, they do not have to have some kind of a major increase or come back to the citizens or the business community for something large in the future. He said this schedule of rates carries the City out through five years, and it will make sure that the services and Sanitation Department are whole during that time bearing any major insignificant impact that they cannot foresee.

Director Ramick said he is talking about the citizen who has a 96-gallon container, and they are going to be raised \$1.00 in 2011; \$1.00 in 2012; \$1.00 in 2013; and \$1.00 in 2014, which is \$4 over four years. Mr. Burrough stated that is correct; and when they get to that point, they will be paying \$19 a month for that waste service. He noted the city of Fayetteville has been paying a little over that rate for several years. He pointed out the citizens have enjoyed very low rates in the city. He commented when looking at the business community, that same container at any one of these locations down the street, if it were located just a few miles to the north, would cost 40 percent more than what it costs in the City of Hot Springs. At the end of this five-year plan, he said the rates will still be far below the neighbors outside of the city limits. He commented that is not saying they are not doing a good job because he does not know what their business model or plans or anything else are; but it is a fact when comparing the rates, it is that much lower.

Mayor Bush asked if 96 gallons is the normal container, and Mr. Burrough said that it was. He added that many times residents have additional trash outside of that cart; and in some of these cities, they get three extra bags a year outside of that \$19.60 cart. He stated it is \$6 a bag after that, but Hot Springs does not do that. He said there are still a lot of things that they are able to provide and do that because he believes the City has a very efficient program and dedicated employees. He noted without the employees, it would not work; and everyone in the department takes it seriously. He added they try to make sure they are keeping the rates as low as possible, but there are times when expenses just catch up; and the City has to do something to maintain it in the future.

Mayor Bush said he feels that he and his employees do a great job, and the only complaint he ever has is they are not there at 7 a.m. because they are supposed to be. Mr. Burrough mentioned there are people who actually time his employees; and if they are not there within that five or ten-minute window, he will get a phone call. He said it will be somebody broken down on a route, etc. He advised if anyone is not recycling, they play a role in their sanitation rates; and may call the Sanitation Department at 321-6911 and start recycling. He advised from 2003 to this past year, they have increased 14,000 tons of garbage a year from where they were in 2003. In referring to increases, he said they are hauling this 1-1/2 hours away. He noted that he received several calls yesterday about why the City does not have a landfill here. He explained the geology is not where the City could have one; and in the three-county area, the closest place that would be suitable is in Gurdon. He stated if the City had a landfill there, they are still hauling it 1-1/2 hours away. He pointed out the key of controlling these rates is helping decrease the amount of garbage that is generated in the first place, and he urged people to start recycling.

Director Maruthur commented on the Board Action Request Form, the alternatives to not doing this, says "discontinue programs that are not considered essential." She said this could include CAPS (Clean Attractive Property Service), Freon recovery, litter abatement, and recycling services. She noted there is very little alternative and commended him for doing a good job. She stressed this is an essential service to the City.

Mayor Bush then called for a vote on the motion to adopt; and upon roll call, the following voted "aye": Directors Maruthur, Jones, Keheley, McCabe, Ramick, Daniel, and Bush, total 7; motion unanimously carried. Whereupon the ordinance was declared passed.

23 Proposed Ordinance No. O-09-49

An ordinance entitled, "AN ORDINANCE WAIVING THE REQUIREMENTS OF COMPETITIVE BIDDING FOR THE PURCHASE OF CERTAIN REAL PROPERTY RELATED TO THE INTERSECTION OF MALVERN AVENUE AND LAKESIDE ROAD; AND FOR OTHER PURPOSES," was taken from the agenda for consideration.

A motion was made by Director Daniel, duly seconded by Director Ramick, that the rules be suspended and the ordinance be read for the first time by title only; and upon voice vote, the motion unanimously carried. The ordinance was then read for the first time by title only; and upon the question "Shall the ordinance be passed as read?" and upon motion of Director Jones, duly seconded by Director Ramick, that the ordinance be passed as read.

Upon discussion, Mr. Steve Mallett, Deputy City Manager for Public Works and Utilities, advised this is a request to authorize the purchase of a piece of property along Lakeside Road to facilitate the intersection improvements that were included in the 2009 Paving Program. He advised that Larry and Janice Meyers are owners of the property, and they have offered the amount of \$1,500 as purchase price. He stated the Public Works staff considers that to be a very reasonable offer and does not feel it is necessary to go through an appraisal process. He pointed out the City would probably pay as much for the appraisal as it would for the property.

Mayor Bush then called for a vote on the motion to adopt; and upon roll call, the following voted "aye": Directors Maruthur, Jones, Keheley, McCabe, Ramick, Daniel, and Bush, total 7; motion unanimously carried. Whereupon the ordinance was declared passed.

24 Proposed Ordinance No. O-09-50

An ordinance entitled, "AN ORDINANCE LEVYING A SUPPLEMENTAL ANNUAL ASSESSMENT FOR THE CENTRAL BUSINESS IMPROVEMENT DISTRICT NO. 2 OF THE CITY OF HOT SPRINGS, ARKANSAS, FOR 2010," was taken from the agenda for consideration.

A motion was made by Director Ramick, duly seconded by Director Keheley, that the rules be suspended and the ordinance be read for the first time by title only.

Upon discussion, Director Maruthur questioned what she and Director Daniel should do, and City Attorney Brian Albright advised that upon the discussion and the ultimate vote on the ordinance, because they are both property owners within Central Business Improvement District No. 2, it would be his advice that she and Director Daniel completely recuse from any discussion or vote on the matter.

Director Keheley said that she owns a shop at 404 Central Avenue, which is in this district. She stated she is a tenant only, and her lease does not include any pass through of the assessment. She noted she pays a fixed sum for the use of the property; therefore, there is no conflict of interest, and she will be participating.

Mayor Bush then called for a vote on the motion to suspend the rules and place the ordinance on its first reading by title only; and upon voice vote, the motion carried, with Directors Maruthur and Daniel recusing from the vote.

The ordinance was then read for the first time by title only; and upon the question "Shall the ordinance be passed as read?" and upon motion of Director Jones, duly seconded by Director Ramick, that the ordinance be passed as read.

At this time, Directors Daniel and Maruthur left the Board Chambers and did not participate in the discussion or vote on the adoption of the ordinance.

Upon discussion, City Manager Lance Hudnell explained that each year the Board has to pass on the assessment as brought to the Board by the Board of Commissioners from each of the districts (CBID No. 2 and CBID No. 3). He stated the petitions authorizing those districts authorize up to a five percent maintenance fee that was done by the owners at that time. He said that was also in the original ordinance. Therefore, by virtue of that, the owners individually authorize their board of commissioners to assess that each year. He pointed out it can be adjusted by them and by the Board of Directors, and in this case, up to \$125,000. He stated they are requesting \$78,000; and this does include a one-year extra assessment of \$33,000 in that \$78,000 for a tree replacement program.

Mayor Bush then called for a vote on the motion to adopt; and upon roll call, the following voted "aye": Directors Jones, Keheley, McCabe, Ramick, and Bush, total 5. Directors Maruthur and Daniel were out of the Board Chambers and did not cast a vote; motion carried. Whereupon the ordinance was declared passed.

25 **Proposed Ordinance No. O-09-51**

An ordinance entitled, "AN ORDINANCE LEVYING A SUPPLEMENTAL ANNUAL ASSESSMENT FOR THE CENTRAL BUSINESS IMPROVEMENT DISTRICT NO. 3 OF THE CITY OF HOT SPRINGS, ARKANSAS, FOR 2010," was taken from the agenda for consideration.

A motion was made by Director Ramick, duly seconded by Director McCabe, that the rules be suspended and the ordinance be read for the first time by title only; and upon voice vote, the motion unanimously carried. The ordinance was then read for the first time by title only; and upon the question "Shall the ordinance be passed as read?" and upon motion of Director Ramick, duly seconded by Director Jones, that the ordinance be passed as read; and upon roll call, the following voted "aye": Directors Maruthur, Jones, Keheley, McCabe, Ramick, Daniel, and Bush, total 7; motion unanimously carried. Whereupon the ordinance was declared passed.

OTHER BUSINESS

30 Board of Directors Items for Discussion

Director Maruthur stated that last night, there was a potluck dinner with the Whittington Property Owners' Association and expressed appreciation to them. She asked that the Mayor take control of the meetings noting there is supposed to be a certain decorum. She said she took offense at being asked how many times she voted for the budget. Mayor Bush responded that she said she never has voted for it. Director Maruthur replied if there are items in the budget that she does not agree with, she is not going vote for the budget. Mayor Bush said he realized that she would not.

Director Jones commented that as long as she has been on the Board, she does not ever remember Director Maruthur voting for a budget. Director Maruthur replied that possibly she does not remember, but that is not her problem. She stated that she tries to do what she thinks is right, and she would like to know how much the City has spent on Director Jones' travel and her cell phone. Director Jones replied that it is none of her business, and Director Maruthur responded that it is the taxpayers' business. Director Jones suggested that she ask someone else.

Mayor Bush stated at the end of the year when they close out the books, he would like for staff to compile how much the Directors have all spent individually on travel. Director Jones pointed out that it is the budget book, and Director Maruthur said that she does not have Director Jones amount. Director Jones advised that Finance Director Dorethea Yates gave her that information. Director Maruthur said she is just

asking the Mayor to stop any personal comments to people. Mayor Bush asked if she will do the same, and Director Maruthur replied if she is going to ask somebody a question, it is different than accusing them of something. Director Jones said that she apologized if Director Maruthur thinks she has accused her of anything. Director Maruthur replied that she accepted her apology.

Director Jones expressed appreciation to the Women of Prayer for all of the Christmas cards.

31 City Manager's Report

City Manager Lance Hudnell gave the following report:

1. He thanked the Board for its diligent deliberation on the budget, as well as to the employees and the departments. He said the department heads have worked diligently, and some of the best ideas have come from the employees within the departments in the process of meeting with all the employees. He said he appreciated those meetings and their can-do attitude.

2. The City offices will be closed for Christmas Holidays on Thursday and Friday, December 24 and 25 and also New Year's Day, Friday, January 1.

3. There is a call for any volunteers who might be interested in assisting with the delegation from Hanamaki, Japan, on January 5 through January 9. They may contact his office; and someone will get them in touch with Ms. Mary Neilson, Sister City Program Coordinator.

4. He expressed appreciation for the holiday lighting to the Downtown Merchants, City Parks Maintenance, Traffic Services, Fire Department, the Garland County Sheriff's Department, District Court Alternative Service workers, Central Business in District 2 and 3, and Seiz Sign Company.

5. A thank-you was received from Mr. Fred Hunter to Police Chief Bobby Southard. He said Mr. Hunter and his wife had lost their wedding bands, and they were recovered through Leadsonline that the Board approved in last year's budget.

6. He thanked the Utilities Department, who as part of their annual Christmas party, did a chili cook-off. This time they challenged themselves for donations and food for families in need. They raised \$452 and 600 cans of food at their Christmas party.

7. If anyone is interested in working for the census, they are now taking applications; and the number is 1.866.861.2010. They request that individuals call that number soon if they are interested in working for the census. It is extremely important to the City and budget and to many of the other businesses in the community that everyone return the form when they receive it.

Mayor Bush asked if they are paid, and City Manager Lance Hudnell advised these are paid workers; but they also have some volunteers.

8. Mr. John and Martha Lowery sent a thank-you note commending Mr. John Faulkner, Public Works Project Coordinator, who assisted them with drainage regarding some homes they were looking at in the City.

9. Three donations were received for the SWAT Team (\$1,000 from Jaybird Manufacturing, \$500 from WebMasters - Ryan Orrell, president and chief executive officer; and \$1,000 from Roberts Brothers Parking).

10. He expressed appreciation to Fire Chief Ed Davis and Police Chief Bobby Southard for their leadership during the first Public Safety Task Force organizational meeting last night. They have divided into six subgroups, which met to elect their chairman and get started. They will have to come back to the Board at the second meeting in January and ask for an extension of time. Mr. Burt Newell is the overall chairman, and he will provide good leadership to that effort.

At this time, Mr. George Pritchett expressed appreciation to the Board, department heads, and staff who worked so hard on the budget and during 2009. He said while they may not always agree, they always respect the Board and appreciate what the Board does.

EXECUTIVE SESSION

27 Consider the Annual Evaluation of the City Attorney

28 Consider the Annual Evaluation of the City Manager

A motion was made by Director Ramick, duly seconded by Director Daniel, that the Board adjourn into executive session to consider the annual evaluations of City Attorney Brian Albright and City Manager Lance Hudnell; and upon voice vote, the motion unanimously carried. The Board adjourned into executive session at 8:35 p.m.

RECONVENE TO OPEN SESSION

29 Consider Any Action Required as a Result of the Executive Session

The Board reconvened into open session at 9:10 p.m.

Mayor Bush announced that the Board reviewed the City Manager's and City Attorney's 2009 performance. It was the consensus that they were outstanding during the year, and there will be no increases or decreases in pay other than the three-day furlough that is to be taken by the other employees.

32 ADJOURNMENT

There being no further business to come before the Board, the meeting adjourned at 9:12 p.m., to meet again on Tuesday, January 5, 2010, at 7:00 p.m.

ATTEST: _____
Lance Hudnell, City Clerk

APPROVED: _____
Mike Bush,
Mayor