

**HOOVER CITY COUNCIL
MINUTES OF SPECIAL MEETING**

DATE: Thursday, July 30, 2009
TIME: 4:00 P.M.
PLACE: Hoover Municipal Center
PRESENT: Mayor Tony Petelos
Mr. Gary Ivey, Council President
Dr. Trey Lott, Council Member
Ms. Mari Morrison, Council Member
Mr. Brian Skelton, Council Member
Mr. Gene Smith, Council Member
Mr. Jack Wright, Council Member

ABSENT: Mr. John Greene, Council Member

ALSO PRESENT: Ms. Linda Andrews, Library Director
Mr. Tommy Daniel, Director, Public Works
Chief Nick Derzis, Police Chief
Mr. Richard Johnson, Director, Inspection Services
Mr. Frank Lopez, Director Revenue and Taxation
Mr. Craig Moss, Director, Park and Recreation
Mr. Allen Pate, Executive Director
Mr. Ben Powell, Director Support Services
Mr. Tim Westhoven, Asst. Executive Director
Chief Chuck Wingate, Fire Chief
Mr. Robert Yeager, Finance Director

The meeting was called to order by the Council President Gary Ivey. The City Clerk had roll call and a quorum was present.

1. PUBLIC HEARING – PROPOSED BUDGET FYE 9/30/09

Mr. Ivey asked Mayor Petelos to present the budget at this time.

Mr. Smith noted that Mr. Greene was absent due to military duty.

Mayor Petelos stated he submitted the budget to the Council for review in June. A full copy of the budget is available in the Library and the City Clerk's office. He stated it had been a tough year for the City just as it had been for every business and every government agency in Alabama and throughout the country. These are some of the worst economic times since the Great Depression and Hoover is not immune to the situation. Approximately sixty-five percent of Hoover's revenue is from sales tax. Revenues are down but Hoover is strong and will survive just as the Hoover School System is strong and will survive. The problems we are facing are the same problems every city and business in America is facing. He had to make a tough decision when formulating this budget. Many people are not happy with the budget but he had to make a decision as to how the City would be funded. He stated he and the City Council, other than John Greene, were elected in 2004 at a time when the City had a

debt of \$118 million. The debt has been reduced by \$24 million since that time. In 2004 the City of Hoover was smart enough not to participate in any variable rates, bond issues, etc. The City of Hoover's debt today is a fixed rate whereby we know every year exactly what is owed, and that debt is being reduced year after year. The City has paid cash for everything it has done over the past five years, with exception of the sewer treatment plant which has its own funding source. This administration has had a good working relationship with the Council, as well as the school system. He said we need to look to the future as a community. In recent past times, Hoover was about the only place to shop. Now, there are major shopping centers located north, south, east and west of Hoover. As Mayor, he has focused on bringing more special events to the City, which brings revenue in the form of lodging tax and sales tax. There are three new hotels under construction in Hoover that will bring more people to the City. The City of Hoover does not have an occupational tax. He referred to the serious problems Jefferson County is currently experiencing with the occupation tax situation. He stated he does not want to raise any taxes. He has submitted a balanced budget just as he has every year for the last five years. Unfortunately, sacrifices are being required. When this budget year began he asked all department heads to cut back on operation cost and it has been done. The employees have done a great job in trying to save money. Travel has been cut dramatically. Police Department operations have been changed in order to cut back on overtime. The Fire Department opened a new fire station without hiring new staff. Individual discussions have taken place between he and the Council Members, as well discussions with the Finance Director. After considering all of the input, he is proposing to give the school system \$2 million to be funded with front door fees and capital projects. He explained that when road projects are approved, the City takes the funding for the local match and puts that money aside so that when the federal and state agencies are ready to proceed with the project the City is ready to proceed as well. An example is the Municipal Drive Relocation Project that has been on the books for twelve years. He is proposing to use money put aside for road projects to help fund the \$2 million to the school system. He emphasized that the City has paid cash for all capital projects over the past five years. The last project being the Library expansion that ended in February. He said the City has buttoned down the hatches and is going to ride out the storm. Everyone is going to work together. This school system and this city will continue to be one of the best cities and school systems in the State of Alabama. He believes the City has the best Police and Fire Departments in the country. He stated the budget had been on record since June 27th and he is presenting it to the Council for consideration at this time, including the proposal to take \$2 million from future projects to fund the school system. It is his hope that the economy will turn around so the money can be returned to the capital projects fund.

Ms. Morrison asked the Mayor to clarify that the \$2 million would come from front door fees and capital projects, not just capital projects. Mayor Petelos stated that was correct. Ms. Morrison asked the Mayor to explain the meaning of front door fees and describe which capital projects would be sacrificed.

Mayor Petelos stated he would defer the information regarding front door fees to the Finance Director. He had not yet decided which capital project would be sacrificed but he would be looking at projects that are further in the future. He stated there is currently \$800,000 of uncommitted money in the capital projects fund. All of the capital projects are road projects,

such as the Chapel Lane Extension, Municipal Drive, Tyler Road, and Valleydale Road projects. These are all matched fund projects with different formulas depending on the road project and the state entities.

Ms. Morrison asked would the City be getting any stimulus money. Mayor Petelos stated the City has made several applications, but noted that stimulus money is very specific as to how it can be used.

Ms. Morrison stated it was her understanding that the City has been operating under the 2008 Budget with a ten percent reduction in spending.

Mayor Petelos stated some departments have been able to reduce more and some less. There is basically sixty days left in this budget year and the City needs to have a budget in place for the auditors. He will be recommending in the 2010 budget that the City freeze salaries and increase the cost of family coverage for health insurance by \$100.

Mr. Ivey called for further questions from the Council. There being none, he called for questions or comments from the audience.

Ms. Tricia Crain, 3309 Thornton Drive, thanked the Council for the opportunity of the budget hearing but expressed disappointment in the 48 hours notice of the meeting. She felt that the magnitude of the disproportionate cut to the school system warranted more notice. However, she was pleased to see so many people were able to attend. After reviewing the proposed budget, she felt it was "arbitrary and capricious" to just zero out the school system money. She recalled that in 2004 the previous school superintendent, Dr. Williams, was heavily criticized for paying cash for capital projects. Dr. Williams and Andy Craig made a joint decision then to issue bonds instead of paying cash. Yet, the Mayor now speaks how wonderful it is to pay cash, which seemed to her to be a different philosophy than that of the Mayor and Council in 2004. She asked the Mayor to please explain why it is better to pay cash than to issue bonds.

Mayor Petelos stated the City of Hoover was reaching the limit on debt service and it was to the point that it did not make sense to finance more debt with the income strength of the City. Therefore, the City made the right fiscal decision to pay cash. The City clearly understands what debt is owed and it is long term at a low fixed rate.

Ms. Crain recalled the Mayor stating in October that the budget would be continued because there was no budget. He did the same in November and December. Then in January, he said we would use the 2008 budget for the 2009 budget. She asked the Mayor how the City had operated this long without a budget.

Mayor Petelos stated the City has a budget. This is a continuation of the 2008 budget.

Ms. Crain stated she understood that the 2008 numbers were good for fiscal year 2009, and some decisions were made about the school system without anyone being told differently. Mr. Craig has already reduced his expectations proportionately. She stated the Mayor asked his department heads to reduce spending. She understands that the school system is not a department of the City but the school system is a very integral part of this City. She felt it was disproportionate to make such a huge cut on the school system. She felt there should be equal sacrifice.

Mayor Petelos stated he appreciated her concern and thanked her for her comments.

Ms. Crain asked Robert Yeager, Finance Director, if the City was adding \$18 million or depleting \$18 million on capital projects, and if so, was it due to matching funds that were discussed earlier.

Mr. Yeager stated each year the City budgets the percent revenue and the match in the capital projects. If a project does not happen it is rolled over to the next year in order to maintain control of that project. This is done assuming that the City will complete all of the projects in its own books. There are no new projects. These are all existing projects.

Ms. Crain stated she maintains the Hoover School Community Information Network. They have conducted a survey over the summer with about 275 results. She plans to email these results to the Mayor and Council at a later date. She felt it was time to have a meeting between the schools, mayor, council, chamber of commerce, community leaders, businesses and industries to discuss the City's future. She felt this was a very reactionary budget and should be more proportionate. She stated she had met with Mr. Yeager and they agreed that the best way to run the school system is through property tax. She stated she would be willing to pay more to live in Hoover. In conclusion, she pleaded with the Mayor and Council to reconsider the budget.

Ms. Morrison stated some of the statements made by Ms. Crain are well taken and she agreed with her on many of those statements. She felt it was time that the City looked at the direction it is going. She did not agree on proportionality in budget cuts. She felt that the City needed to look at some alternative forms of funding. She noted that Hoover will never be an industrial community. It will be retail, hotel, sporting activities. She felt the best way to do this was to talk about it. She would welcome the opportunity and she felt the other council members would as well

Mr. Skelton stated the Mayor had talked with each Council Member individually about the budget. He said the Mayor told him there was no money for the schools, but if it was the desire of the Council the money could be taken out of the reserve fund. At that time, he knew the rough number of the school reserve fund was approximately \$130 million and he also knew they were running a very large deficit this year between \$25 million and \$30 million. He told the Mayor he did not think it would be a wise decision for the City to dig into its reserve fund so the School System could put it into their reserve fund. He said this budget is anything but "arbitrary and capricious". Much thought, discussion, meetings, and heartache went into this budget. When the Mayor presented his budget this evening with a \$2 million amendment to the schools he would have thought there would have been a favorable reaction. He said without question the Mayor and Council believe the Hoover City Schools are the City's prized possession and it will remain that way. The Hoover City Schools do a tremendous job. The City has no control over the way the School System spends its money or allocates its money; nor should it have control over it.

Ms. Tricia Crain disagreed that the School Board had \$130 million in the reserve fund. She strongly encouraged the quarterly meetings between the School Board and the City Council so that each entity could better understand what the other has or does not have.

Mr. Skelton assured Ms. Crain that the information he presented is correct.

Ms. Barbara Calhoun, 320 Greystone Glen Circle, expressed concern as to how the lack of funding for the schools would directly affect property values. She stated property values are directly tied to the school system because people choose a certain area based on its school system. She said she had noticed a drop in property values and did not believe it was all due to the economy. She did not understand why the City would choose to cut money to the schools and felt it was unfair to give only a 48 hour notice on the public hearing. She stated the citizens elect the Mayor and Council and the citizens should control how the money is spent.

Mayor Petelos stated the budget has been available to the public since June 27th. It is on the City's website.

Ms. Morrison asked Ms. Calhoun to tell the Council where the money should be taken from to give to the schools.

Ms. Calhoun suggested cutting personnel expenditures. She felt the City was asking the schools to do all of the sacrificing. She then asked why the City spends more money than it takes in.

Mr. Skelton stated the City has a balanced budget. It does not spend more than it takes in. He felt Ms. Calhoun made an excellent point. A balanced budget is the key to everything. He wondered if those who are expressing concerns were more upset with this administration trying to run this City in a fiscally responsible manner and trying to avoid a debacle or are they more upset about the deficit that the school has done. He said someone asked a question earlier about why it is better to pay cash rather than borrow money. He assured them that this Council is not going to borrow money that it can't pay back.

Ms. Calhoun asked about the City's reserve fund. Mr. Skelton stated that is a savings account that belongs to the citizens of Hoover to be used in extremely bad times. It has many benefits, one of which is that it allows the City to get lower interest rates on existing debt.

Ms. Calhoun suggested using \$5 million from the reserve account with the \$2 million from the Mayor's budget to make up the \$7 million. Ms. Calhoun insinuated that the City had reserve "funds" tucked away.

Ms. Morrison asked what about next year. It is predicted that the economy will be the same or worse. She asked Ms. Calhoun to clarify what she meant by reserve "funds".

Ms Calhoun said she was not sure what the City had and requested an audit.

Mayor Petelos stated the City has a certified audit annually. That information is also available on the website.

After further discussion, Mr. Skelton reminded Ms. Calhoun that the Mayor just proposed \$2 million to go to the schools.

Ms. Calhoun stated that was not sufficient. Many present in the audience concurred.

Mr. Smith noted that the time on the clock is near the 5:00 p.m. hour, which is when the Council Work Session begins. He suggests a short recess from the special meeting to conduct the work session and then reconvene the special meeting.

Mr. Ivey stated there was time to hear a few more comments.

Mr. David Bannister, 4834 Sulphur Springs Road, applauded the Mayor for being fiscally responsible. He did not understand prior to this meeting about the school system's reserves and felt a little less alarmed after hearing that those funds were there. He agreed that we should not spend money we do not have and applauded the City on having a balanced budget. He also believed that the schools are a great investment and there should be some special dispensation if the school system truly needs the money. He asked the Council to consider giving the \$7 million to the schools out of the reserve as he felt they had operated under the assumption they would be receiving that money. He was not sure whether they operated under that assumption erroneously or not, but perhaps Ms. Crain was correct in requesting better communication between the entities. He asked that Mr. Craig, as Superintendent, address whether or not the School Board truly has the reserves that Mr. Skelton spoke of earlier.

Ms. Cathy Antee, Chief Financial Officer, Hoover City Schools, and Mr. Andy Craig, Superintendent, addressed the Council. Ms. Antee reported that for the Budget Year 2009 they had \$131 million in total fund balance, of which \$71 million was earmarked for debt service, \$11 million was required by state law to be held in their general fund account, \$1 million was booster club money and other things for use within the school system that they hold in fiduciary capacity. That brings the total down to \$48 million to be classified as discretionary available fund balance. That was their original 2009 Budget. Since then, they have been hit with \$7 million of proration from the state, property taxes coming in have been less than they budgeted for originally, and have lost interest income on their investments. That is another \$3 million. A \$5 million hit from the City would leave \$33 million in available funds.

Mr. Andy Craig expressed appreciation to the Mayor for \$2 million consideration. He talked about the debt service and the \$85 million received in 2007 from the Jefferson County 1% sales tax, noting that the School Board through no choice of their own received the money in lump sum, which was not a good thing for Hoover City Schools. He stated one of the reasons the School Board has money in reserve today is due to the fact they did not spend it on construction. They knew they had a massive amount of debt and saw this coming. The theory is to use that money to offset the impact of that looking forward. He understands this is a frustrating period for the City as well as the Hoover City Schools. He stated the School System is well positioned going into this year, as he feels the City is as well, but they are very outlook poor at this point. As a board, they will be looking forward and talking about ways to work together. This community has very high expectations of the city services and the school services. It will be a challenge for both entities to try to continue to meet those expectations. He stated he would be happy to look at the financial status of the School Board before the Council or the public. Again, he appreciated the \$2 million consideration. He looks forward to working together and evolving back to some kind of predictable mechanism.

At approximately 5:05 p.m., Mr. Ivey called for a recess in order to conduct the scheduled City Council Work Session. The special meeting will reconvene after the Work Session.

(Mr. Skelton left after the work session was adjourned.)

Mr. Ivey reconvened the special meeting at approximately 5:09 p.m.

Mr. Robin Schultz, 348 Albamarle Drive, referred back to the discussion earlier regarding schools being directly related to property values. He quoted the following statement made by Jack Wright on April 22, 2007, "Hoover schools are an enormous draw. What makes the value of real estate is the value of the education". He asked the Mayor why is he is not cutting the budget proportionately.

Mayor Petelos stated that to cut proportionately would require laying off fifteen police officers, closing fire stations, etc. He stated he is not going to sacrifice public safety in the City of Hoover. The City has a reserve and the School System has a reserve. He stated we are going to work together and we will get through these tough times. He noted that he and Andy Craig talk often. He emphasized that he is not willing to sacrifice public safety, the courts, or the jail system. He noted the City is barely operating with just the right amount of people in the jail as it is. He talked about how important it is for the City to have a reserve fund.

Mr. Schultz asked the Mayor if the School Board will know for their next budget what the contribution will be from the City so they can plan accordingly.

Mayor Petelos stated he could not answer Mr. Schultz's question because we are still experiencing decreases and still have not hit bottom. He stated he tried to wait as late as possible on the budget in order to do the best job he could and he waited too late. He apologized to the Council and the citizens for that but we still have not hit bottom and it is truly a problem.

Ms. Morrison stated she is a former educator and has a great love for education and does not cherish the thoughts of any cuts to anything that involves the City's children. In referring to the discussion about property values, she stated they are based on quality of life, which includes education, public safety, availability of services (shopping or employment), access to a library, and opportunities for children to participate in recreational activities. Hoover started growing dynamically in the early 1980's and more particularly after the Galleria was built. At that time, there was no Hoover School System but there were very fine schools that were part of the Jefferson County School System. The City wanted something better and to be able to control its own destiny with its own school system. We voted ad valorem tax increases to assist in that process. The City wanted to help the system get off the ground and grow. The City did that and she supported it and still supports it. She would like to everyone come together to find greater ways to fund our school system where there is dedicated monies to the system. She agreed that we can not proportionately cut across the board because it would impact not only public safety but also the library and park and recreation. She strongly believes that children need to be involved because an idle mind leads to trouble. It all comes back to quality of life and being in sync.

Mayor Petelos concurred with Ms. Morrison. He stated that several years ago Jefferson County created a one cent sales tax to fund education throughout the county. They are now talking about taking that sales tax and putting it toward the sewer debt. He has spoken publicly that he believes they should bankrupt the sewer system so the county could move forward. He is very concerned about the idea of using the one cent sales tax toward the

sewer debt. This would tie up that sales tax for thirty to forty years. He feels that those on Wall Street who got us into trouble should be the ones to pay it off. Once the bond issue is paid off the tax could be removed. The City of Hoover could opt at that time to continue that tax and the City Council would decide how it should be used. That tax would generate \$15 million to \$17 million annually. He encouraged people to contact their Legislators and voice opposition to using that tax, which is currently for education, toward paying off the sewer debt.

Mr. Patrick Southworth, 1725 Monteagle Drive, asked what percentage is the \$7 million to the overall budget of the school system. Mr. Craig stated it was about 4%. Mr. Southworth then asked when was the last time reserve funds were used by either the City or the School Board. Mr. Wright stated there were no reserves until the last twelve years. The City has never used the reserve funds. The reserve fund generates approximately \$2 million annually, so if the reserve was spent the operating income would have to be reduced by \$2 million. Mr. Southworth stated he understands that the School Board has \$33 million in reserve and the City has \$31 million in reserve. He suggested the School Board and the City each give \$2.5 million from the reserve funds. That combined with the \$2 million from the Mayor's Budget would make up the \$7 million. He was very opposed to cutting any money from public safety.

Ms. Alissa Cooper, 322 South Burbank Drive, stated children are our greatest resource and children should not have to pay for what has happened to our economy. She encouraged the City and School Board to meet in the middle. She appreciated the Mayor's apology with regard to the budget coming in so late. She believes that when the schools suffer the quality of life suffers. She encouraged the City to take another look at the budget and see if there something that could be worked out, not just for this school year but for years to come. She also was opposed to cutting money from public safety.

Mr. Smith asked what is the earned income per million on the \$31 million in the City's reserves. Mr. Wright stated it is 4.2%, which is fantastic in this current economy.

Ms. Paulette Pearson, 537 Oakline Drive, a newly appointed member of the Board of Education, addressed the Council as a citizen and an educator. In 1987 she was involved in the formation of Hoover City Schools. At that time the City assumed a group of schools from Jefferson County that were good schools producing successful productive graduates. The City took those schools and with the support of the Hoover citizens and city officials committed to making that vision a reality we have turned a good system into an exceptional system. It appears to be meeting every education need. She acknowledged that we are experiencing severe economic conditions in our City and city officials are appropriately looking at reducing their expense budget. She stated that \$7 million equates to approximately 110 teacher units. She appealed to the Mayor and Council to provide sufficient funding for the schools in order to maintain the current level of excellence.

Ms. George Anne Carter, 2526 Red Start Lane, a real estate agent and resident in Hoover, stated property values are always set by schools. She suggested renegotiating contracts due to the economy as a way to reduce spending. She mentioned specifically construction projects and park maintenance.

Mayor Petelos stated the City closed its last construction project, which was the Library expansion. The City has buttoned down the hatches. The only projects the City is currently involved in are matched fund road projects with the Alabama Department of Transportation through the competitive bid process. With regard to park maintenance, the City has employees who maintain the parks. He assured Ms. Carter that the City is looking at every aspect of cutting operating expenses, and has already reduced spending in the police and fire departments. The problem is that 42% of the total budget is for public safety and as he stated before he is not going to cut public safety.

The Mayor stated the City of Hoover and the Hoover School System are in better shape than most cities and schools in the state. He stated that the 2010 Budget will include a salary freeze in anticipation that the economy could be worse next year.

Ms. Cathy Hodo, 2117 Brookview Drive, stated she would very much like to see meetings between the entities and the citizens. She felt bad for Andy Craig having to put together a budget not knowing how much the City would be giving to the schools. She strongly felt the children deserved it. However, she would not vote for another tax for schools unless the funds were held to construction only because she voted for the 24 mill tax with the understanding it would be used for building but there was a loophole in there which resulted in a freshmen center instead of a third high school.

Mr. Smith stated that holding the funds to construction would make it difficult to pay for the operation of the campus afterward.

Ms. Morrison stated she was troubled by Ms. Hodo's comment that she would not vote any tax increase for the schools unless it went to construction. She felt that a tax increase is one of the ways to get money. She could not see Hoover having another sales tax because that would put us at 10%, which would be higher than any in the county. She stated she is asking for constructive ideas as to how money could be generated to fund the schools.

Ms. Sandy Johnson, 2246 Avanti Lane, agreed that we should not cut public safety, but we could not afford to cut teachers either. She submitted that if we start a trend of cutting education funds we are setting ourselves up for more public safety issues than the police will ever be able to handle. She pleaded to not short change the children, as it will impact quality of life and ultimately public safety.

Mr. Arnold Singer, 613 Riverhaven Place, stated he moved to Hoover from New Jersey where he ran for an elected board of education. They had a great school system but it went down because there was not a cooperative spirit between the politicians and the board of education. He sensed that, despite everything he has heard here tonight, there is a lot of cooperation and communication between the leaders in both entities. What he has not heard is some possible unique solution. He stated there were many retired senior citizens in this community with excellent skills who could be part of a task force that could look at operations of both entities on a unique basis and report the findings to the leaders of both entities.

Ms. Ann Glass, 4901 Twin Pines Circle, spoke as a parent as well as a teacher at Crossroads. It is her understanding that Crossroads is completely funded by local funds. She was concerned about what would happen to the students at this school and the Second Chance

program. This school has produced many success stories and she was concerned about the impact on these students if they were returned to the other schools. She expressed appreciation to the Mayor and Council for the years the City has provided the funds for that, but she encouraged them to keep in mind that this program will not exist without the funding. She would rather see capital projects delayed until something is figured out.

Mr. Smith congratulated her on the work she does. He wanted to be sure it was understood that local funds are not totally comprised of the city appropriation. Property taxes are also considered local funds.

Ms. Morrison asked the Mayor if the City was still going to provide school resource officers in the schools. The Mayor answered yes. This is a shared cost between the city and the schools. The City's portion is about half a million. Ms. Morrison noted this is an additional amount that is going toward school functioning that is not being cut from the budget.

Ms. Beth Galloway, 6280 Russet Landing Circle, spoke as a teacher at Trace Crossings. In terms of cost, she believed this can be solved. She noted that when she first came to this area it was hard to imagine the city and the school system having a friendship at all. She feels from what she has heard today that there will be a solution that will be as fair as possible to everyone. She did note that the schools are maxed out. She appreciated the morale across the board but looked forward to having a solution to this problem.

Ms. Janie Hamilton, 2541 Dunmore Drive, stated they moved to Hoover from Athens, Georgia because of housing affordability and wonderful schools. She recalled when Mayor Petelos first ran for office that there was discussion about "front door fees", which were collected by the City but was used for construction of schools. This evening she thought she heard that this money was part of the City's general fund of which the Mayor was including in the \$2 million to the schools. She thought it was the intent at one time that it was to be used for the schools to begin with.

Ms. Morrison stated there is a history with front door fees and it occurred before Mayor Petelos became Mayor.

Mr. Wright stated a previous Mayor misdirected that money into the general fund and everyone involved in that is no longer with the City. It is the intent for the Mayor to give 100% of the money to the schools. However, that number where it was projected to be \$1.6 million to \$1.8 million is going to be \$199,000 next year.

Ms. Morrison stated this administration reinstated those funds back to the schools.

Ms. Hamilton asked about money that might be leftover from stimulus money received for parks, etc. The Mayor stated stimulus money is not designed for operating expenses. The City has made several applications for stimulus money and was recently awarded a grant to beautify the Highway 31 and I-65 exit ramp, just like at Alford Avenue and I-65. That money is designed for a specific project.

Ms. Morrison stated it is her understanding that there are no grants we could apply for that could go to operating expenses or anything we could use to offset directly to the schools.

Mr. Wright stated he believed the state is the only entity that could do that.

Mayor Petelos stated it was also recently announced that we received access money to be used for sidewalks going to a school system. That is a capital project paid 100% in federal funds.

Mr. Paul Carter, 3594 Deerfield Drive, stated he was shocked and disappointed in the cuts to the school system. He referred back to a statement made earlier by Mr. Skelton that the reserve is there for really tough times. Mr. Carter submitted that those tough times are here. His concern was that the discussions are about the 2009 budget and we are moving toward the 2010 budget. There will be a compounding effect that will be felt by the children. He felt the reserve money from the City needed to be spent now.

Mr. Guy Locker, 204 Shelterwood Circle, stated he moved to Hoover specifically for the schools. He felt the thing that makes the Hoover schools what they are up to this point are the additional programs offered that are specifically funded by the city supplemental funding. If these programs go away, the schools will have no choice but to become a mediocre school system and families would eventually have to do something else. He stated he had looked at the 2008 and 2009 City Budgets on the website. He noted the projected revenue in 2008 was \$141.2 million with a loss of \$6.2 million in 2009, yet the school system is being asked to absorb more than the City's overall loss of funding.

Mr. Wright stated Mr. Locker was looking at the gross number which includes the capital money.

Mr. Locker reviewed the numbers for personnel expenditures for 2008 and 2009 and noted that not only were they not being cut they were increasing by approximately the difference between revenue and the school cuts. He noted there had been discussion about cutting operating cost but there was an increase in that as well between 2008 and 2009. Based on the numbers he felt that if the City kept spending down to the 2008 figures it would compute to \$2.1 million that could go to the schools.

Ms. Morrison stated Mr. Locker's point is well taken. She noted there were no new hires in the 2009 budget. She asked Mr. Yeager about the increase in the cost of healthcare. Mr. Yeager it varies between 8% and 10%. The City is self-insured. It does not buy premiums. Any increase comes out of the general fund. He noted the numbers Mr. Locker is speaking of include all of our funds. Ms. Morrison noted that the \$2.1 million mentioned by Mr. Locker as being available is really not available because it was picked up due to increased expenses on medical insurance, utilities, and other uncontrollable cost. Mr. Yeager also noted that the opening of the senior center and the library expansion produced more square footage to heat and cool and maintain.

Mr. Wright stated the retirement is not listed but is a contingent liability due to the State Retirement System that the City employees participate in and the City's contributions are escalating because they use an 8.5% actuarial valuation which has been totally unrealistic for the last five to ten years of interest earnings on it and as they project those increases the Legislature gives out non-funded mandatory increases. The last time he looked at it the figure was approximately \$40 million, which is a lot of money the city could technically owe its employees toward making their retirement fund level. We pay that with an increase in monthly premium to the state.

Mr. Locker stated he understands these issues as he is a small business owner. He felt the schools are being asked to sacrifice a lot and the appearance is that it is being done so nobody else has to suffer. He felt this was unfair to the children and the school system.

Mr. Ivey stated the Mayor and Council appreciated the attendance and the input. He stated they do care about the school system. He believes there is good communication and working relationships between the City and the School Board. He noted he and Mr. Craig speak often and know there are many problems and hope they can be resolved. The most important thing is that the children do not need to suffer.

Mr. Smith stated there were ideas presented tonight that have some merit. He thanked Mr. Southworth and Mr. Carter in particular for their contributions to the meeting tonight.

Ms. Mary Pampu, 1047 Valley Crest Drive, stated one of the things she loves about Hoover and why she chose it over Vestavia and Mountain Brook is its great diversity which is so important to the children because the real world is nothing but diversity. She noted that with diversity there is an increase in cost per child. That is why Andy Craig and the Board of Education believe in small class sizes because without that it would not be successful. It could not survive with that much diversity without the funding.

Ms. Morrison commended everyone on the productive communication and she stated she hoped to see this exchange and dialogue and working together continue for the one common goal, which for this group here tonight is to fund for the school system.

Mr. Ivey called for additional comments or questions. There being none, the meeting was adjourned.

Margie Handley
City Clerk