

MINUTES OF THE BUDGET WORK SESSION OF THE CITY COUNCIL OF THE CITY OF COTTONWOOD, ARIZONA, HELD MAY 21, 2009, IMMEDIATELY FOLLOWING THE SPECIAL MEETING HELD AT 5:30 P.M., AT THE CITY COUNCIL CHAMBERS BUILDING, 826 NORTH MAIN STREET, COTTONWOOD, ARIZONA.

CALL TO ORDER AND ROLL CALL

Mayor Joens called the budget work session to order at 5:35 p.m. Roll call was taken as follows:

COUNCIL MEMBERS PRESENT

Diane Joens, Mayor
Karen Pfeifer, Vice Mayor
James Chapman, Council Member
Tim Elinski, Council Member
Duane Kirby, Council Member
Linda Norman, Council Member

COUNCIL MEMBER ABSENT

Terence Pratt, Council Member

STAFF MEMBERS PRESENT

Marianne Jiménez, City Clerk
George Gehlert, Community Development Director
Casey Rooney, Economic Development Director

Rudy Rodriguez, Finance Director
John O'Neill, Library Director
Kyla Allen, Executive Assistant

OVERVIEW OF THE CITY'S 2009-10 FISCAL YEAR BUDGET

Mr. Rodriguez stated there were still several items that should be added to the budget but did not yet appear in the document to be reviewed at this meeting. He requested that sections be organized by department heads rather than alphabetically as listed on the agenda.

Mayor Joens stated he should present them in the manner he thought best.

Mr. Rodriguez stated the city would start the year in relatively good shape considering the situation it had been in over the last couple of years. That was because it had been able to delay hiring, cut back on costs, and cut back on travel and training. The total budget was for \$94,285,325. Of that amount \$1,141,340 was for new staffing and reclassifications due to the addition of 12 new firefighters funded by a SAFER grant and five police staff to be funded through an Edward Byrne Memorial Justice Assistance Grant which may or may not be awarded. The new recreation center would open May 2010 and required additional staffing. Because of budget constraints there would be few new programs. The biggest item would be the new recreation center. Potential borrowings totaled \$11,977,500, including \$3,747,400 for HURF, \$3 million for sewer, \$5 million for water, and \$230,100 for public safety lease purchases. Also, refunding water revenue bonds was contemplated, and \$716,050 of capital outlay has been budgeted. Major capital projects totaled \$32,825,450. Of that amount, \$2,202,130 represented debt service commitments to the

water department. \$15,123,320 was for new capital projects and \$15.5 million for current capital projects, including the recreation center. Anticipated grant revenue totaled \$4,754,630 together with \$776,180 in matching funds. This budget required no additional fees or taxes. In order to contain costs, no cost of living adjustment was contemplated. The merit program was fully funded and structural reorganization was to be considered. Delayed hiring was to be continued. Any vacancies occurring from attrition would be reviewed to determine if staff replacements were necessary. Arizona State Retirement System contributions had been reduced by a small amount, per contract. The City's Workman's Compensation rating had decreased slightly, reducing costs. Both the fire and police departments' contribution rates had decreased modestly. Current reserve policies were to be maintained and a reserve added for the operations of the new recreation center to ensure it would be fully operational from the time it opened. The current state and national economy posed challenges. Sales tax revenue was down six percent. Health insurance rates increased twelve percent. Demands on staff for city services were up while proper compensation was lacking throughout the organization. The new fire department positions totaled \$879,900 of which \$408,810 for six firefighters was covered by a SAFER grant. Additional costs of \$246,090 for three engineers and \$225,000 for three interim lieutenants were not, and must come from the General Fund. The cost for staffing the new recreation center for just the two months it would be part of this budget came to \$269,535, which was expected to be covered by facility revenues and backed by the city's one percent sales tax. The utility department was to hire a specialist professional engineer and an arsenic specialist which would increase salary costs by \$115,185. This cost was \$136,000 less than would be the case were these services to be contracted out as they were now. Several reclassifications in the library, C.A.T., animal control, and recreation departments resulted in salary costs increasing a total of \$6,923. Numerous other requests for additional staff and reclassifications totaling \$47,416 were not implemented pending a compensation study. Several personnel requests were pending any possible departmental reorganization.

Council Member Kirby asked if we were really going to pay someone \$35,000 for staffing the recreation center for two months.

Mr. Rodriguez stated the manager and two supervisors would start in January. The figures included salaries and benefits.

Mayor Joens asked for Council consideration of placing the City Clerk under the purview of the City Council.

Mr. Rodriguez stated such a discussion could be done at the end of this meeting or at the end of the budget wrap-up. As for capital outlays of less than \$35,000, there was a request for \$25,000 for agenda automation software (listed as recording equipment for the Council Chambers), \$15,000 for Council laptops, and \$3,300 for a CableOne interconnection in anticipation of televising Council meetings. The library parking lot overlay was budgeted for \$30,000. The Building Inspection department added \$2,800 to cover computer upgrades and vehicle safety lighting.

Mayor Joens asked if the computer upgrade would give more GIS capabilities. There were many cities and towns way ahead of us in GIS.

Mr. Rodriguez stated such an upgrade had a cost estimate of about \$300,000 and had been deferred. One of the things necessary would be to put a lot of infrastructure in place. This year new servers and computers would be upgraded to prepare for such modernization. Total budgeted amounts for computer upgrades in various departments amounted to \$32,500.

Mayor Joens stated she was really concerned about Planning & Zoning (P&Z)/Economic Development.

Mr. Rodriguez stated their servers were tied to those in Finance and up-to-date. Upgrades for that department were planned including a new plotter, software and computers. Regarding printers, Finance was testing a networked printer with multiple functions that could replace individual printers and copiers and was cheaper. Also, \$5,500 was budgeted for an air economizer for the library.

Mr. Rooney stated on the administrative side, the vehicles that were driven around to conferences, especially the white Ford Taurus, had broken down on him twice despite having been repaired. It was not reliable, and it was not right to have to drive a vehicle that was undependable.

Council Member Kirby stated he agreed.

Mayor Joens asked if, as far as administrative people were concerned, they could lease a vehicle or drive their own if they didn't feel comfortable with the City cars.

Mr. Rodriguez stated the City's travel policy allowed people to do either. It was requested that compact or subcompact cars be rented so as to reduce costs.

Mayor Joens asked if those options were acceptable to Mr. Rooney.

Mr. Rooney stated it was inconvenient to rent and he didn't want to put more mileage on his own car.

Council Member Kirby stated he would go along with the suggestion that we replace that car with a new one or a high quality used car.

Mayor Joens stated it would be discussed later on.

Mr. Rodriguez stated \$230,030 was budgeted for the replacement of five police vehicles and one for the fire department to be paid for from the 0.2 percent sales tax set aside for public safety equipment. Other things to be paid for by this sales tax include equipment, computers, and office furnishings for the police department totaling \$62,520. Funding for

fire department equipment totaled \$139,520.

Council Member Kirby asked if the defibulator equipment was bad enough it needed to be replaced.

Mr. Rodriguez stated these were not replacement units but new ones for the second fire company currently being formed.

Council Member Kirby stated he was starting to see defibulators placed all over in such places as golf courses and club rooms. Most people did not know how to operate them. If we were going to replace units and they were still good, move them to city hall or someplace like here (the Council Chambers), where they might become handy and train some people how to use them. It would be a way to save money and improve the quality of our service.

Mr. Rodriguez stated he would look into it. C.A.T. had \$26,600 budgeted for communications, bike racks and office furniture, largely grant funded.

Council Member Norman asked how many bike racks would there be for the \$12,600 budgeted.

Mr. Rodriguez stated one for every local bus, for a total of seven.

Mayor Joens stated it would be nice to put bike racks throughout the community to encourage people to ride bikes, and it should be a topic for later discussion.

Mr. Rodriguez stated Mr. Costello was already looking into the matter and discussion would occur at a future date. The airport had \$24,000 budgeted for remodeling the terminal and adding insulation to Hanger B. The wastewater department had \$39,500 approved for new equipment and the water department had \$46,400 budgeted. These were funded from enterprise funds. Funding for all these capital outlays came from operating revenue, grants and reserves and were to be made available, on a staggered basis, throughout the year, with priority given to the most urgently needed items early in the budget year.

Council Member Smith asked where the funds from the airport reserve came from.

Mr. Rodriguez stated from fuel sales, T-hanger tie downs, etc. For items over \$35,000, the one percent sales tax was allocated to HURF, the General Fund, maintenance, after reductions for funding the recreation center and its debt service. The recreation center was budgeted for 15.5 million and the library parking lot for \$30,000. From the 2.2 percent sales tax it was planned to partially fund an aerial ladder truck for the fire department for \$71,840 and allocate \$37,000 for lease purchases of other vehicles for them. Plans were to create a new communications center to free up space at the police department. If other communities were to contribute it could become a regional center. A new evidence building and equipment were planned as was equipment for an emergency operations center.

Council Member Smith asked if the aerial ladder vehicle was for the hospital.

Mr. Rodriguez stated not only that but any large building such as Wal-Mart. The best place to fight fires in such structures was from the air rather than from inside where there was a risk of roof collapse.

Mayor Joens stated she really felt the ladder truck was important, even if there was a sprinkler system. We needed to be prepared for all circumstances and she was pleased to see we were trying to do this now.

Mr. Rodriguez stated if we did not get the grant, we would not be doing it this year. Planned street improvements were budgeted for a total of \$4,510,000 and pavement preservation at the airport for \$500,000. We keep setting aside \$80,000 a year for sidewalks. Currently we put sidewalks where we had projects rather than adding them to existing streets, but discussions could determine that we wanted to start building sections. HURF did not have \$4.5 million and we would solicit a \$3.7 million loan from GADA so we would still have cash on hand to continue doing projects.

Council Member Kirby asked, assuming we borrowed this money from GADA for the recreation center with a payback of ten years, if we got grant money for streets could we use that to pay back GADA and reduce our indebtedness.

Mr. Rodriguez stated that depended on how the loan was structured. With the recreation center there was a certain amount of time we had to have it before we could call it. The whole idea here was to continue to have money and pay a little at a time because we had a lot of needs. He suspected over the next ten years, which was the term of the loan they would try to get, there would be enough streets to try to maintain that we were not going to be looking for grants to pay the loan, but getting grants to continue fixing streets throughout the city. The intent was not to do this on a regular basis but to continue to have the momentum needed for the projects we have already started.

Council Member Elinski asked when budget figures were put in the budget if they were for the full grant amount.

Mr. Rodriguez stated, yes.

Mayor Joens asked how the total budget was affected by grants up or down.

Mr. Rodriguez stated it was affected up. Even if we got grants, they had to be put into the budget. In the State of Arizona, you must budget everything including reserves and every expenditure. With grants we carried a buffer in case one came through, so we could take advantage of it.

Mayor Joens stated sometimes when it looked like \$90 million and you didn't get several of these grants, in reality your budget could be \$70 million.

Mr. Rodriguez stated in the first paragraph of the budget book it said "This year's total proposed expenditures budget is \$94,285,325. This is an overall increase of \$16,991,980 over the previous fiscal year revised of \$77,293,345". If you thought you were going to get a grant you might as well budget for it because if you did not have the budget authority and the bottom line was set, you couldn't spend it. Late in the year, two years ago, the fire department was awarded a SAFER grant for twelve firefighters. It was so late in the year and we had not budgeted for that item, and we had to deny it. We couldn't do it because we didn't have the budget authority. It came up again this year and we could accept it because we had budgeted for it.

Mayor Joens stated it added to the budget though. Sometimes the citizens found it hard to understand that there could be a lot of hot air in the budget numbers.

Mr. Rodriguez stated what really inflated numbers were reserves, loans, and bonding.

Council Member Kirby asked what percentage of the operating and maintenance fund was sales tax and how much our sales tax income for the year was expected to be because of the 0.8 percent added to it.

Mr. Rodriguez stated it was expected to be \$10.5 million from the three percent sales tax.

Council Member Kirby asked if it was correct we had budgeted \$20 million something for operations and maintenance. If we were only taking in \$10.5 million in sales tax, where was the rest of it coming from?

Mr. Rodriguez stated page 42 of the budget summary showed where all the revenue was derived from.

Council Member Kirby asked what "intergovernmental" was.

Mr. Rodriguez stated state shared sales taxes and, state shared motor vehicles taxes. Wastewater expenditures were budgeted almost \$4.5 million, with almost \$2 million for extending sewer lines along Highway 260 to enable those properties to be developed, a Riverfront facility and the conversion of the Foxworth building. Water distribution had \$7,405,000 budgeted, for wells, and other projects, including Highway 260.

Council Member Kirby asked if the \$925,000 for arsenic remediation was for the entire system.

Mr. Rodriguez stated the arsenic system was a contracted process. The arsenic specialist discussed earlier would take over part of the process. The \$925,000 was for contractual service with Basin Water who put in the system that we lease. It included maintenance of the equipment and hauling off of everything. We eventually hoped to lease just the equipment and have staff do the work for us.

Council Member Norman asked what the \$500,000 for a construction manager at risk (CMR) was for.

Mr. Rodriguez stated it was money set aside for the company which was assessing all the wells to ensure they were set up properly for correct power supplies, casings, etc. so that the arsenic systems could be added on with minimum disruption. We currently had neither the staff nor the capability to have a dedicated well analyst to ensure that the wells would be ready for arsenic remediation equipment to be added on and be ready to work immediately. The company also helped when other problems at the wells arose. This year we were focusing on obtaining grants many of which were for public safety equipment and training. Others were for street reconstruction, transit and airport. There was no guarantee these grants would be forthcoming. Local sales tax was behind levels of two years ago. The 0.8 percent increase in the tax rate helped to keep revenue closer to what it had been in the past. We were still following our policies with regard to reserves. The 60-day reserve had grown to \$2,186,060 because of the recent tax increase. The capital accumulation fund remained capped at \$1 million, which resulted in the diversion of \$380,000 into operations and maintenance.

Council Member Smith asked why the money was not being used for personnel.

Mr. Rodriguez stated personnel was a permanent and constantly increasing cost, unlike capital items which only required maintenance over their life spans. Increasing those costs in economic times such as these was ill advised. Using reserves for salary increases when they might be needed to cover shortfalls in tax revenues would not be beneficial to the city or the employees. Right now we were able to keep all our staff and not have cut backs as many other communities had had to do.

Mayor Joens stated these were our rainy day funds. If they were put out for recurring operational expenses and we had an emergency, we wouldn't have any way to pay for it. A household couldn't spend every penny it had and neither could the City.

Council Member Kirby stated Clarkdale and the County had to let people go while we had been able to maintain our staff.

Mr. Rodriguez stated the budget had been prepared at the direction of the Council and City Manger both to protect staff wherever possible. Budgeting required \$100,000 be left in undesignated reserves for the Council's use at its discretion. Sales tax reserves were being drawn on but were expected not to be depleted by the end of the year. One of the biggest concerns was to be able to open the recreation center in a proper manner, not slowly or gradually. A reserve of \$748,985 had been budgeted for this purpose. The amount was subject to sufficient tax revenues being received and it was hoped it could later be used for other projects.

Mr. Faust stated the recreation center's cost recovery was planned to be 70 percent. Staffing costs were a key to keeping costs reasonable.

Mr. Rodriguez stated the State was reallocating taxes which had previously been shared with cities and towns. House Bill 2615 currently under consideration could, if passed, create additional expense for the city if it was to be forced to meet the unfunded mandate to post certain economic information on the city's website. State shared revenue had been omitted from this budget. The next meetings would be on May 26 and May 27, both at 5:30 p.m. in this building.

DEPARTMENTAL BUDGETS

ECONOMIC DEVELOPMENT

Mayor Joens stated Mr. Rooney was to implement the "Focus on Success" program but had no budget.

Mr. Rooney stated he had no city budget, only from CEDC which historically had been \$12,000 to \$17,000.

Mayor Joens stated she would be more comfortable if someone gave a report on what the needs were because we did have things we said we wanted to do in a year. She asked if that would be addressed by the City Manager.

Mr. Rodriguez stated, not that he was aware of.

Mayor Joens asked if he could check with him about needs here. It would be nice to know.

Mr. Rooney stated he would speak with the City Manager and Finance Director.

Mayor Joens stated she wanted to know what was needed financially to work this plan. Hopefully it would return income to the City.

Vice Mayor Pfeifer stated we needed to keep the forward momentum.

Mayor Joens asked if the Council could get a report on possible needs and whether CEDE revenue would cover those needs.

Council Member Kirby stated he had heard the comment, from time to time, that people did not bring something to the Council because they knew there was not enough money to do it. He didn't like that concept. He liked the Council to make that decision and to hear what people wanted to do and why, and then for the Council to decide whether to fund it or not. The Council was the only one that could determine if something could be funded or not.

Mr. Rooney stated the plan was so new he had not had a chance to determine its financial impact. He was not prepared tonight to argue for additional money.

LIBRARY

Mr. O'Neill stated 67 percent of his budget was tied up directly in personnel costs. The vast majority of the rest of it was taken up with heating and cooling, collection charges, copier supplies, and fixed charges. The only thing variable in the budget was acquisitions. A library our size generally had funding of 12-18 percent of its budget on collections/acquisitions. His staff was underpaid and the facility understaffed last year. Despite it being the best for acquisition funding, the rate fell below 12 percent. The rate for the new year was 5 percent. What that meant was traditional library use would bear the brunt of this funding. He recommended various adjustments to the proposed budget for different line items.

Mayor Joens stated she read all the time about not having money for books. We had \$43,000 listed. She asked if it didn't go very far.

Mr. O'Neill stated it did not go very far. Last year there was an unanticipated windfall from the County which had been applied to book acquisition rather than personnel. Despite the building addition, staffing remained at the same level.

Council Member Kirby asked if enough was being done to publicize the programs available at the library for school children.

Mr. O'Neill stated he thought the publicity was good. In summer there were only two programs. Policies were in place to ensure that the children's area remained free of adults who were not accompanying children.

Mayor Joens asked if handicapped parking spaces would be available soon.

Mr. O'Neill stated he hoped it would be available soon and the existing problems would be resolved once the parking lot signs were put in by the Street Department.

Mayor Joens stated it was very important because there were complaints about the misuse of those parking places.

PLANNING & BUILDING

Mr. Gehlert stated he managed two separate divisions, planning & zoning, and building safety. They were responsible for issuance of all development permits, development related codes and policies, the City's General Plan, Subdivision Code, Zoning Ordinance, review of conditional use permits, zone changes, subdivisions, variances, and assistance with annexations. They administered the various boards that reviewed these things, the code review process and design review process, Planning & Zoning Commission (P&ZC), Board of Adjustments, and helped facilitate the Council's review of zone changes, subdivisions, codes, and policies. They administered the public hearing process, and were responsible for notifications, postings, ads, presentations, etc. They also assisted with economic development functions, CEDE, the Main Street Program, and grant opportunities. They enforced the Building Code and Zoning Ordinance and the Hearing Officer Program. They supplied staff support for regional planning activities as well as daily assistance over the

front counter, including GIS services. There were quarterly meetings of the P&ZC with the City Council to monitor the implementation of the General Plan. They assisted in the development of a 5-year economic development plan. They planned to institute a special area planning process for the interior portion of the city. This would make recommendations for various corridors of the city for development. There was a need for a plotter to make GIS items available to the public over the counter. The department website needed improving including a newsletter. Several reclassifications were requested and staffing was reduced because of retirements. Discussions were still underway regarding jurisdictional issues between the police department and P&Z for code enforcement.

Council Member Elinski stated he had concerns sending a uniformed policeman out on code enforcement issues. It would seem to send the wrong message to citizens.

Ms. Allen stated code enforcement would not be in police uniforms.

Council Member Kirby stated the public would perceive them as police officers.

Mr. Gehlert stated the permit fee schedule would be reviewed. He proposed adding less than \$10,000 for upgrading the appearance of his building if it could not come from maintenance.

ADMINISTRATION

Ms. Allen stated the only budget increases were \$25,000 for software discussed previously for which a grant was being sought, which it was hoped would also cover a new computer. Office supply items were budgeted for increases because of the addition of a VISTA worker who would do public information pamphlets about home rehabilitation and weatherization programs.

Mayor Joens asked that, at the appropriate time, a discussion would occur regarding placing the City Clerk's position under the Council and how that would be done if Council concurred, and whether it would affect her staff.

Council Member Kirby asked if the budget would remain the same if we went to electronic packets.

Ms. Jiménez stated preparation and processing would remain the same. Only printing would be eliminated.

Mayor Joens asked if the public would then have access to the same information that the Council did.

Ms. Jiménez stated they would have it available on the City's website.

Mayor Joens emphasized that any laptop should be able to support decent graphics. She

asked if she would be able to use her own laptop.

Mr. Rodriguez stated there were legal issues with making all your personal information available to public information requests.

LEGAL

Ms. Allen stated it appeared costs would be approximately \$140,000 for general counsel services and approximately \$160,000 for prosecuting attorney services for the year. These figures were higher than those shown on page 92 of the budget book handed out to the Council.

Mayor Joens stated she thought the City was getting good service for what it was paying for legal services.

Ms. Allen stated she would be remiss if she did not say that the City Manager still supported the idea of internal counsel; having counsel within the City. That was a Council decision to make. With the expenditures showing, it was pretty feasible to do that in the future, but obviously not next year.

Mayor Joens stated she continued to disagree with him.

Vice Mayor Pfeifer stated so did she. What we got was legal services and we did not have to pay for benefits, vacation, secretary, desks, supplies, and a library.

NATURAL RESOURCES

Mr. Rodriguez stated this one man department was established as a full time water resources program to resolve regional water related issues. Overall expenses were down, with the largest single item being salary. Last year a new car was budgeted to accommodate his extensive driving requirements.

Mayor Joens stated though it was listed on the City Manager's accomplishments, it was really the Council that created that department and directed that it be totally put into water.

HUMAN RESOURCES

In the coming year personnel costs were coming down due to adjustments to the responsibilities of the manger position after the retirement of Dave Puzas. Risk Management was now handled by Mr. Rodriguez, not Human Resources (HR). The assistant position's salary is now divided between Human Resources and Finance, further reducing expenses for HR. Expenses for employee physical exams had been increased to cover the costs of the new public safety employees to be hired during the coming year. Recruitment expenses remained high due to the cost of constant advertising of new positions.

Council Member Norman asked about the \$6,000 budgeted for unemployment insurance.

Mr. Rodriguez stated he would look into it.

FINANCE

Mr. Rodriguez stated there would be a sizable increase in salaries due to filling the budget analyst position which was largely vacant last year. Other increases were for contractual services. An audit of the City's fixed assets needed to be done to avoid further criticism of our budget. That would cost about \$21,000. Bank charges were higher because of charge machines.

Mayor Joens asked why we were getting charged when we had hundreds of thousand of dollars in the bank.

Mr. Rodriguez stated it was equipment charges, rental plus transaction fees on credit and debit cards. There were no bank service charges. Previously there had been discussions whether to pass these charges back to citizens and the opinion was they should be absorbed.

Mayor Joens stated we should consider charging for it. The tax payer was paying for it now. Why was that good, she asked.

Mr. Rodriguez stated the whole idea of using charge or debit cards was we got the payment immediately whereas checks could potentially bounce. And we spent a lot more than three percent chasing those down. There was also the convenience for people of not writing a check. We preferred to use automatic pay. The idea behind using cards was to be able to collect as much as what we were owed as easily as possible and avoid collections. The issue of credit cards could be discussed further at a later time, if desired.

IT

Mr. Rodriguez stated the budget was slim. Server costs were now allocated to the respective departments.

ADJOURNMENT

Council Member Kirby moved to adjourn. Mayor Joens seconded the motion which carried unanimously. The budget work session adjourned at 9:32 p.m.

Diane Joens, Mayor

Richard Smith, Deputy Clerk

CERTIFICATION OF MINUTES

I hereby certify that the attached is a true and correct copy of the minutes of a budget work session of the City Council of the City of Cottonwood held on May 21, 2009. I further certify that the meeting was duly called, and that a quorum was present.

Richard Smith, Deputy Clerk

Date