

A G E N D A

Special Work Session of the City Council of the City of Cottonwood, Arizona, to be held March 22, 2012, at 5:30 PM., at the Council Chambers, 826 N. Main Street, Cottonwood, Arizona.

I. CALL TO ORDER

II. ROLL CALL

III. ITEMS FOR DISCUSSION

Comments regarding items listed on the agenda are limited to a 5 minute time period per speaker.

1. [UPDATE AND REQUEST FOR DIRECTION REGARDING THE COMPILATION OF THE CITY'S FISCAL YEAR 2013 BUDGET.](#)

IV. ADJOURNMENT

Pursuant to A.R.S. 38-431.03.(A) the Council may vote to go into executive session on any agenda item pursuant to A.R.S. 38-431.03.(A)(3) Discussion or consultation for legal advice with the attorney or attorneys of the public body.

The Cottonwood Council Chambers is accessible to the disabled in accordance with Federal 504 and ADA laws. Those with needs for special typeface print or hearing devices may request these from the City Clerk (TDD 634-5526.) All requests must be made 24 hours prior to the meeting.

Members of the City Council will attend either in person or by telephone conference call.

City of Cottonwood, Arizona City Council Agenda Communication



 Print

Meeting Date:	March 22, 2012
Subject:	Fiscal Year 2013 - Budget Goal Setting Work Session
Department:	Administrative Services
From:	Jesus R. Rodriguez, CGFM, Administrative Services General Manager

REQUESTED ACTION

Staff will be updating the City Council and requesting direction for the upcoming fiscal year 2013 annual budget.

SUGGESTED MOTION

No motion is necessary

BACKGROUND

Every year, about this time, the Finance Division meets with the City Council to bring them up to date on the status of the on-going budget compilation. The updates include discussions about current and upcoming issues such as revenue sources, personnel matters, capital projects, programming and many other topics. The strategic plan is also included, in as far as the possibility of funding some of the items on the plan.

This year is no different. We have put together a Powerpoint presentation to detail many of the things that are happening throughout the City organization as well as future plans. The presentation will also detail the many obstacles that the City is facing in the upcoming year.

We will also be discussing policy issues and state issues facing our community. In all, it is a comprehensive high level overview of the status of the budget in its early stages.

JUSTIFICATION/BENEFITS/ISSUES

As we continue to develop the annual budget it has become evident that keeping the City Council up to date is critical to having a successful budget. This is true not only to keep the Council members abreast of what is transpiring within the city but to equip our council members with the information needed to respond to public inquiries. These meetings also provide the public the opportunity to participate in and learn about the city's budget.

COST/FUNDING SOURCE

Annual Budget FY 2013

ATTACHMENTS:

Name:

Description:

Type:

No Attachments Available

CITY OF COTTONWOOD

Fiscal Year 2012 Budget
Fiscal Update/Goal Setting Workshop
March 22, 2012



Topics of Discussion

1. Revenue Update
 2. Personnel Information
 3. Critical Areas
 4. Some Future Revenue
 5. FY 2013 Budget Calendar
 6. Questions
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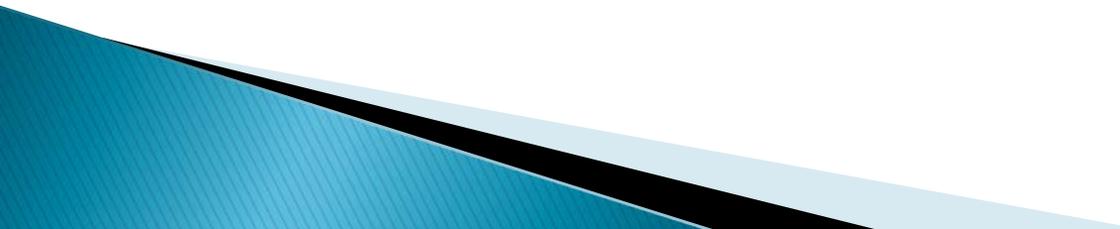
Revenue Update

Local Sales Tax - General Fund

▶ FY 2012

- Budgeted \$7,834,070 (General Fund)
- Revised to \$8,410,045
- Up 7.4% over original budget
- Up 3.6% over last fiscal year
- Shifted sales tax from all funds back to GF

▶ FY 2013

- Projected at \$8,496,955
 - Up 1% over the current year
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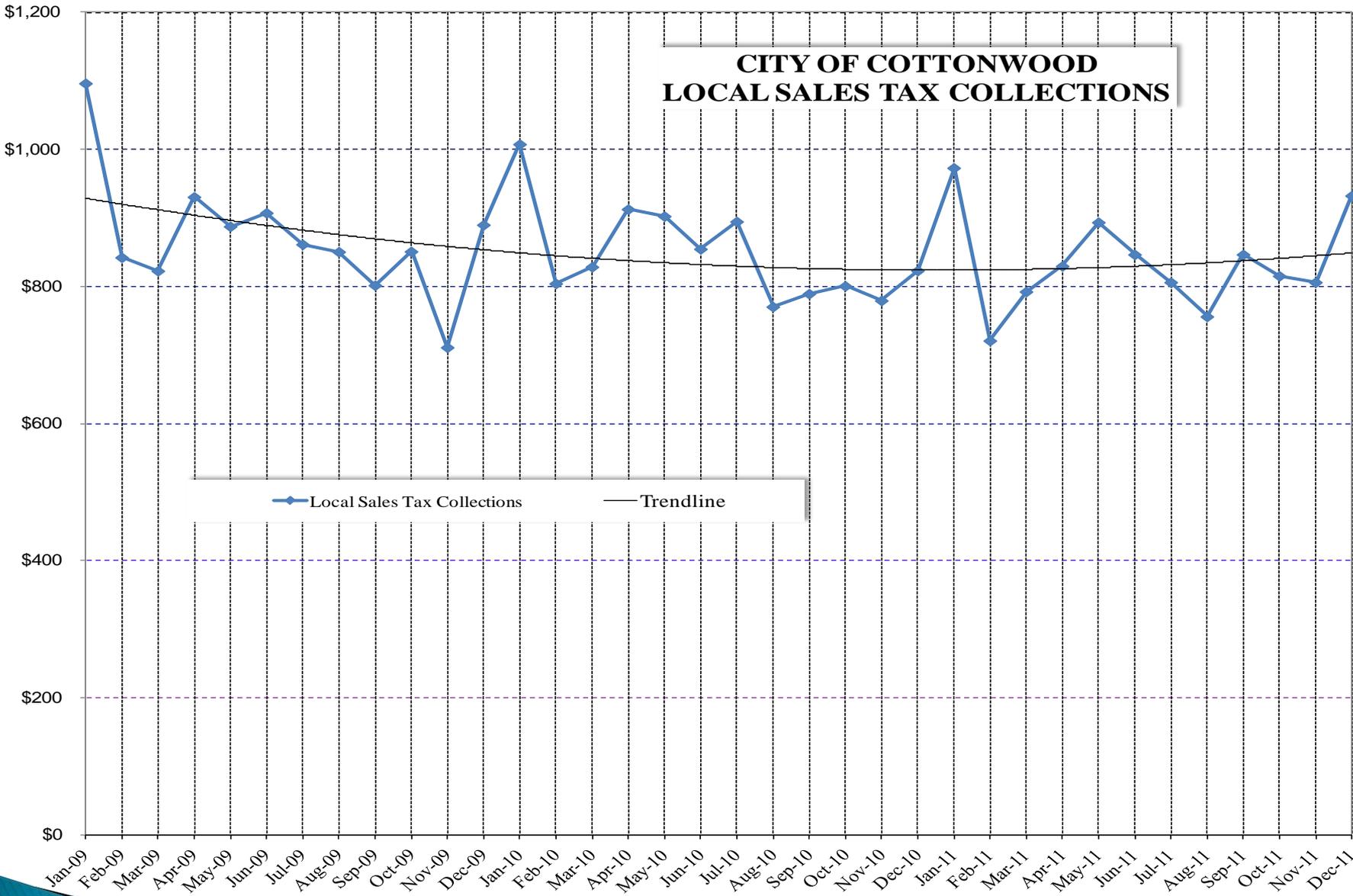
Local Sales Tax - 3 Year Comparison

Monthly Period	Calendar Year			
	2009	2010	2011	'11 VS '10
January	\$1,096,393	\$1,007,624	\$973,002	-3.44%
February	842,376	804,261	720,962	-10.36%
March	822,757	828,572	792,472	-4.36%
April	930,642	912,812	829,766	-9.10%
May	887,601	902,527	893,576	-0.99%
June	907,361	854,738	846,645	-0.95%
July	861,447	894,731	806,162	-9.90%
August	850,608	770,462	756,158	-1.86%
September	801,744	789,395	846,669	7.26%
October	851,045	800,734	815,403	1.83%
November	711,125	779,475	806,133	3.42%
December	889,964	823,102	932,494	13.29%
Totals	\$10,453,062	\$10,168,435	\$10,019,442	-1.47%

Numbers depicted are based on calendar year

Thousands

CITY OF COTTONWOOD LOCAL SALES TAX COLLECTIONS



State Shared Sales Tax

▶ FY 2012

- Budgeted @ \$852,270
- Revised to \$863,590
- 1.3% increase from estimate

▶ FY 2013

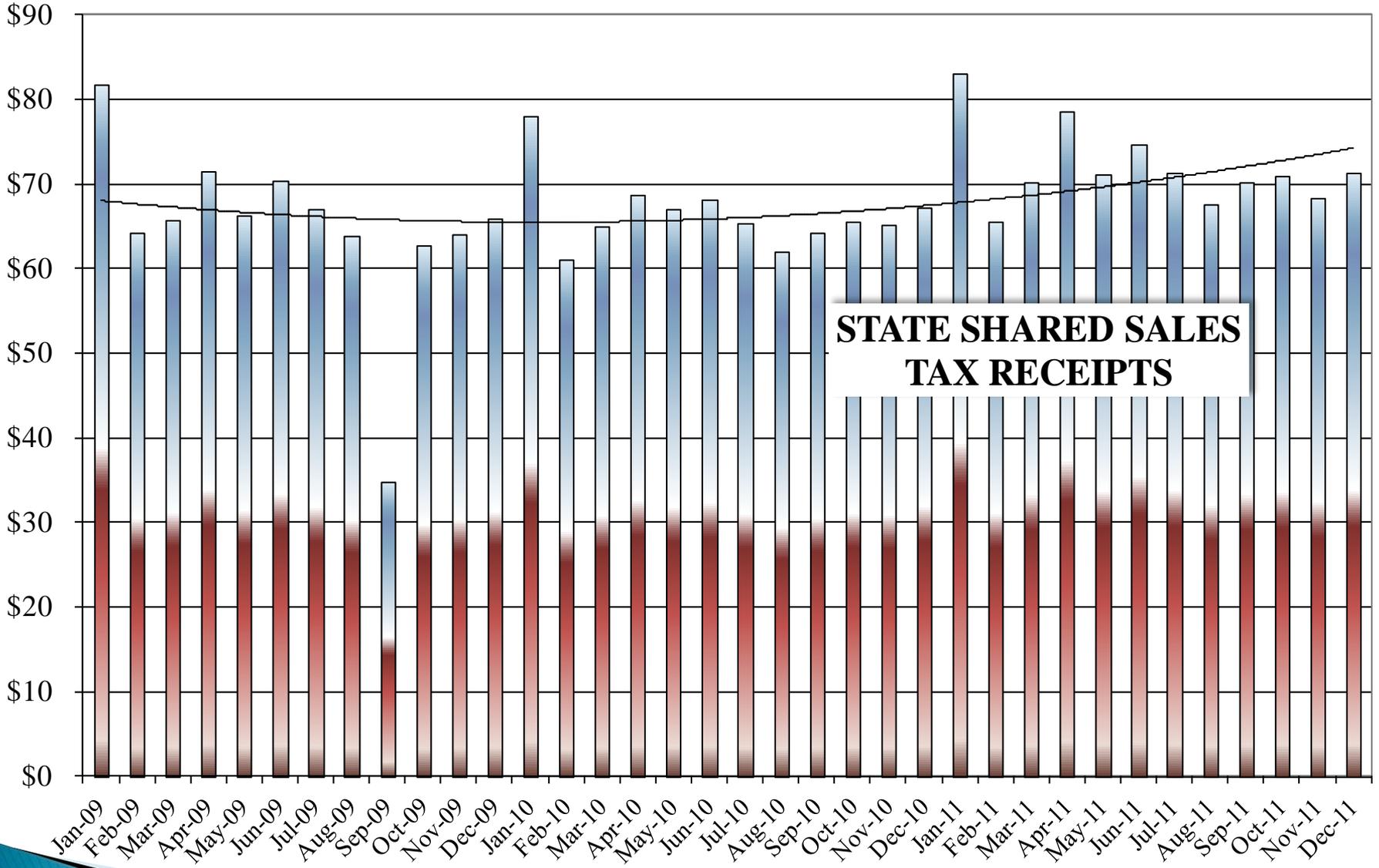
- Preliminary estimated at \$941,980
- Preliminary estimates up 9.1%
- \$78,390 from FY 2012

State Shared Sales Tax - 3 Year Comparison

Monthly Period.	Calendar Year			
	2009	2010	2011	'11 vs '10
January	\$81,734	\$78,126	\$83,146	6.43%
February	64,283	61,124	65,579	7.29%
March	65,854	65,076	70,304	8.03%
April	71,520	68,807	78,548	14.16%
May	66,320	67,000	71,179	6.24%
June	70,373	68,148	74,733	9.66%
July	67,070	65,490	71,347	8.94%
August	63,829	62,086	67,683	9.01%
September	34,903	64,365	70,271	9.18%
October	62,833	65,542	71,058	8.41%
November	64,076	65,272	68,373	4.75%
December	65,974	67,353	71,372	5.97%
Totals	\$778,769	\$798,390	\$863,594	8.17%

Numbers depicted are based on calendar year

Thousands



State Shared Income Tax

▶ FY 2012

- Budgeted @ \$950,815
- Original estimates prepared by the State
- On-target with budget
- Based on income taxes collected 2 years prior

▶ FY 2013

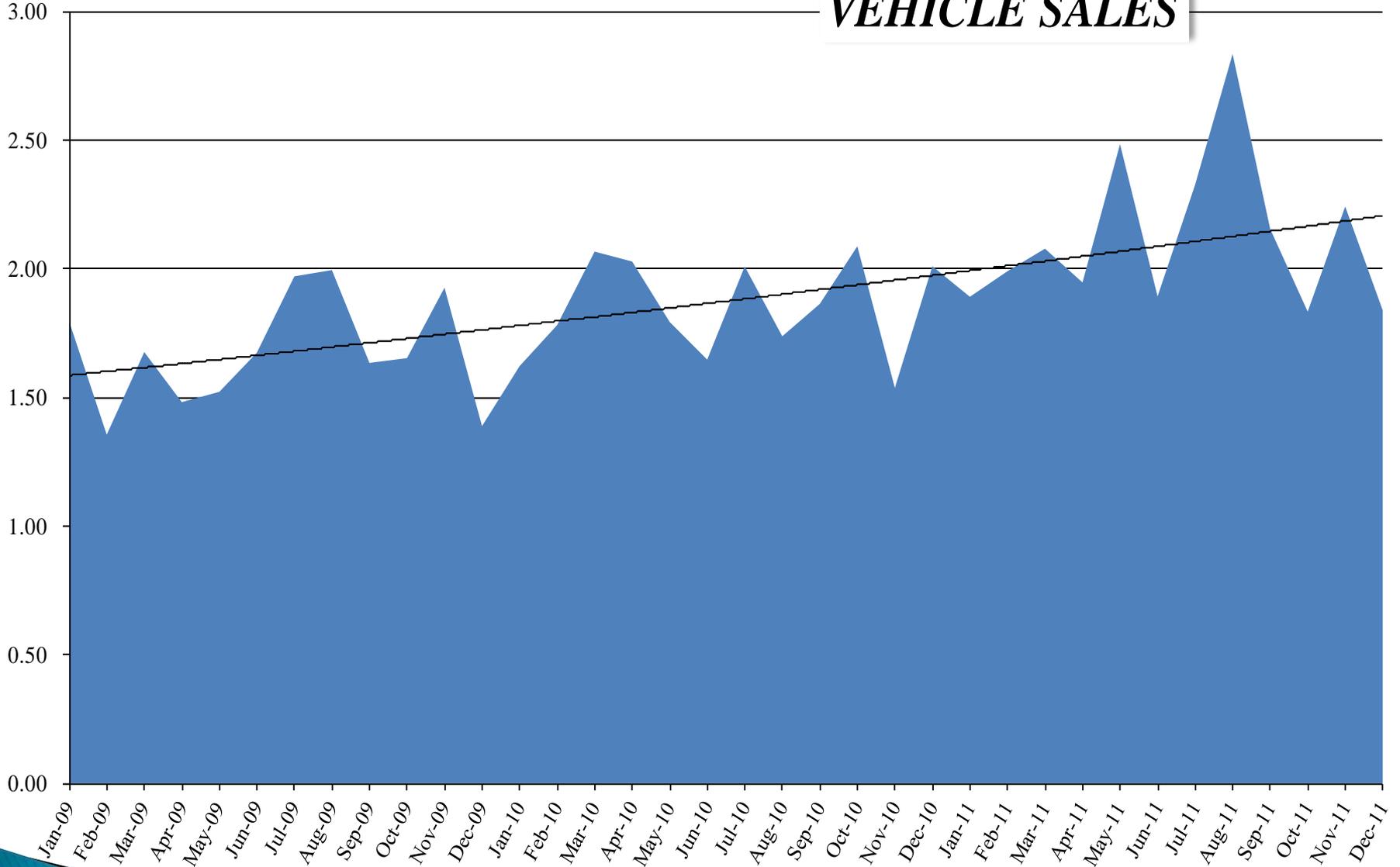
- Preliminary estimates at \$1,150,590
- Preliminary estimates up by 21%
- Up \$199,775 from FY 2012

Vehicle Sales in Cottonwood - 3 Year Comparison

Monthly Period	Calendar Year			
	2009	2010	2011	'11 vs '10
January	1,793,829	1,620,387	1,890,007	16.64%
February	1,354,095	1,779,758	1,989,271	11.77%
March	1,675,191	2,065,549	2,076,956	0.55%
April	1,480,620	2,027,042	1,945,716	-4.01%
May	1,520,646	1,792,150	2,482,942	38.55%
June	1,672,697	1,645,829	1,891,431	14.92%
July	1,969,446	2,007,964	2,325,310	15.80%
August	1,993,771	1,736,430	2,833,557	63.18%
September	1,633,113	1,862,425	2,154,048	15.66%
October	1,651,629	2,086,154	1,832,182	-12.17%
November	1,925,479	1,536,047	2,240,871	45.89%
December	1,387,407	2,008,745	1,837,223	-8.54%
Totals	█ \$20,057,921	█ \$22,168,481	█ \$25,499,514	15.03%

Millions

VEHICLE SALES



1% Construction Sales Tax

- ▶ Effective 01/01/2006
- ▶ Change in anticipated revenues
 - FY 2006 revenues \$51,326
 - FY 2007 revenues \$189,394
 - FY 2008 revenues \$271,885
 - FY 2009 revenues \$265,410
 - FY 2010 revenues \$185,220
 - FY 2011 revenues \$132,270
 - FY 2012 revised \$152,000
 - FY 2013 budgeted \$214,415
- ▶ Dedicated to Street Improvements
- ▶ New construction drives this revenue
- ▶ Helps the HURF maintain its viability

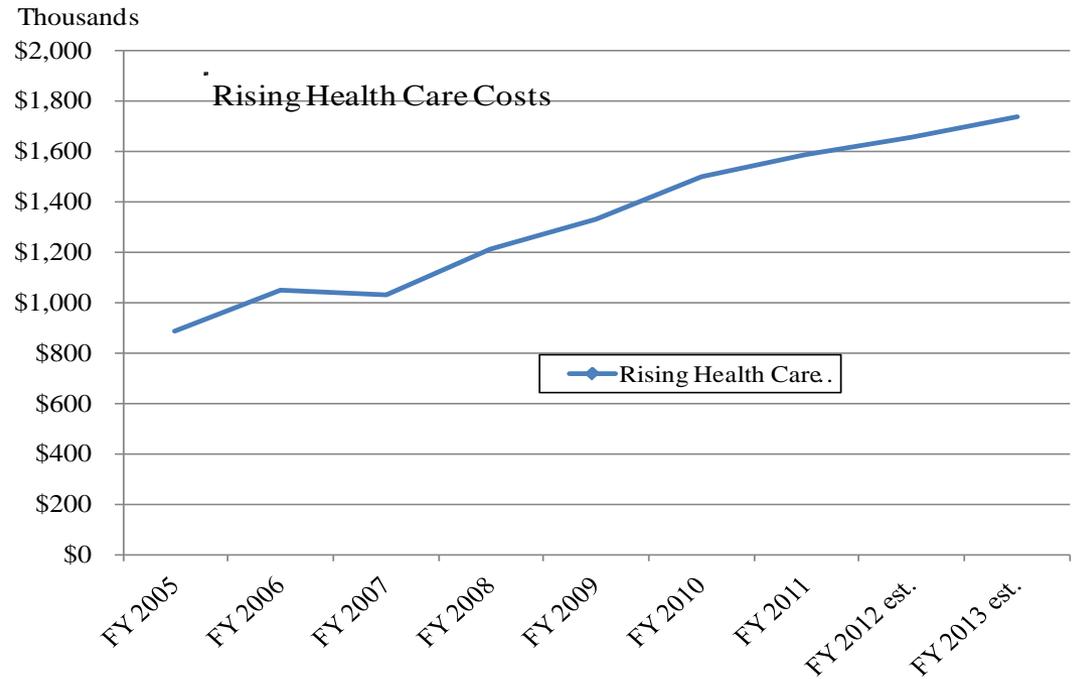
1% Sales Tax Distribution

- ▶ **Recreational Center**
 - Pay off Debt Service
 - Cover Operational shortfall
- ▶ **General Fund**
 - 80% of remaining 1% sales tax
 - Operations & Maintenance
 - Overall sustainability
- ▶ **General Government Facilities**
 - 20% of remaining 1% sales tax
 - Future facilities
- ▶ **Slow to moderate growth policy (1% - 5%)**
 - Follows regular sales tax growth
- ▶ **May revisit policy as economy returns**
 - HURF
 - General Fund capital facilities

Personnel Information

Health Insurance Costs

- ▶ FY 2005 - \$ 886,217
- ▶ FY 2006 - \$1,045,021
- ▶ FY 2007 - \$1,026,330
- ▶ FY 2008 - \$1,208,437
- ▶ FY 2009 - \$1,330,027
- ▶ FY 2010 - \$1,499,796
- ▶ FY 2011 - \$1,585,791
- ▶ FY 2012 - \$1,650,422 est.
- ▶ FY 2013 - \$1,732,943 bdgt.



- Includes a 5% increase for FY 2013



Workers Compensation Costs & E-Mod

▶ FY 2006-	\$168,974	E-Mod - 1.16
▶ FY 2007-	\$161,284	E-Mod - 0.98
▶ FY 2008-	\$155,810	E-Mod - 0.94
▶ FY 2009-	\$162,622	E-Mod - 0.95
▶ FY 2010-	\$167,416	E-Mod - 0.94
▶ FY 2011-	\$186,866	E-Mod - 0.98
▶ FY 2012-	\$187,406	E-Mod - 1.01
▶ FY 2013-	\$193,030 (Note 1)	E-Mod - ???

- Note 1 - This will increase with the implementation of the Compensation Study due to increased personnel costs.

Arizona State Retirement System - ASRS

▶ FY 2005 - \$325,085	Rate 5.70%
▶ FY 2006 - \$545,514	Rate 7.40%
▶ FY 2007 - \$740,069	Rate 9.10%
▶ FY 2008 - \$901,062	Rate 9.60%
▶ FY 2009 - \$906,687	Rate 9.45%
▶ FY 2010 - \$985,511	Rate 9.40%
▶ FY 2011 - \$1,041,316	Rate 9.85%
▶ FY 2012 - \$1,125,645 (Note 1)	Rate 10.75%
▶ FY 2013 - \$1,167,860 (Note 2)	Rate 11.15%

- Note 1 - This reflects the 50/50 distribution vs the 53/47 distribution
- Note 2 - This will increase with the implementation of the Compensation Study due to increased personnel costs.

Public Safety Personnel Retirement System

PSPRS - Police

▶ FY 2005-	\$150,206	Rate 15.94%
▶ FY 2006-	\$226,266	Rate 17.96%
▶ FY 2007-	\$213,801	Rate 17.96%
▶ FY 2008-	\$257,079	Rate 17.23%
▶ FY 2009-	\$349,703	Rate 22.07%
▶ FY 2010-	\$344,448	Rate 20.07%
▶ FY 2011-	\$380,202	Rate 21.94%
▶ FY 2012-	\$396,011	Rate 23.20%
▶ FY 2013-	\$422,940 (Note 1)	Rate 24.79%

- Note 1 - This will increase with the implementation of the Compensation Study due to increased personnel costs.

Public Safety Personnel Retirement System

PSPRS - Fire

▶ FY 2005-	\$ 31,922	Rate 5.68%
▶ FY 2006-	\$ 46,087	Rate 6.50%
▶ FY 2007-	\$ 72,664	Rate 6.50%
▶ FY 2008-	\$ 88,238	Rate 10.32%
▶ FY 2009-	\$136,525	Rate 14.83%
▶ FY 2010-	\$186,645	Rate 13.37%
▶ FY 2011-	\$211,810	Rate 14.55%
▶ FY 2012-	\$195,030	Rate 12.35%
▶ FY 2013-	\$230,135 (Note 1)	Rate 14.63%

- Note 1 - This will increase with the implementation of the Compensation Study due to increased personnel costs.

Critical Areas

Budget Planning

- ▶ Another lean but stable budget year
 - Economy seems to be improving
 - Playing catch-up on some items
 - ▶ Balanced budget as required by State Statute
 - ▶ Avoid new or additional taxes
 - ▶ Maintain our fiscal integrity
 - ▶ Comply with all bond covenants
 - ▶ Maintain current level of services
 - ▶ Protect staffing as best as possible
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Recreation Center Upate

	2010	2011	2012	2013
Fees	\$294,558	\$661,833	\$700,000	\$707,000
Building rental	15,288	22,339	27,700	35,350
Classes / Programs	8,295	47,329	47,000	55,550
Available Revenues	▲ \$318,141	▲ \$731,501	▲ \$774,700	▲ \$797,900
Expenditures	\$304,798	\$1,221,098	\$1,377,030	\$1,500,215
Cost recovery	104%	60%	56%	53%
GF contribution	\$13,343	(\$489,597)	(\$602,330)	(\$702,315)

Protecting Our Most Important Resource

- ▶ Protecting City Staff in order to maintain current level of services is priority
 - No Cost of Living Adjustment (COLA)
 - Merit program is budgeted
- ▶ Compensation Study
 - RFP is almost ready to be released
 - \$600,000 is currently budgeted to cover the full cost of implementation
 - Expected implementation date is July 1, 2012
- ▶ Remaining Personnel Issues
 - Still have frozen positions
 - Increasing costs in Health Care and Retirement

General Fund Fiscal Policy

- ▶ **Fund Balance Reserve - \$2,161,880**
 - Reserves to 60 day coverage
 - 16.67% of operating expenditure
- ▶ **Capital Accumulation Reserve - CAR - \$1,000,000**
 - 2.67% of previous year's operating revenue
 - Excess over \$1M is currently being used for General Fund O&M
 - Recommend that the City keep \$1,000,000 in the CAF
 - The CAF may be revisited at a later date
- ▶ **Public Safety Capital Reserve - \$279,095**
 - Funded by excess 0.2% sales tax
 - Funds Lease Purchases, major equipment needs for public safety
- ▶ **General Fund Capital Facilities - \$777,240**
 - Funded by a portion of the 1% sales tax

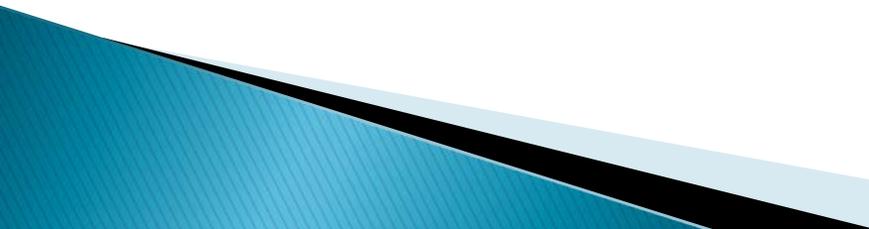
Some Future Revenue

Debt Service Payoffs - 07/01/2013

- ▶ FmHA - Library Loan - \$1,800,000
 - 1st Loan \$84,800 annually
 - 2nd Loan \$73,500 annually

 - ▶ GADA - Railroad Wash Improvements - \$895,000
 - \$100,700 annually

 - ▶ GADA - Public Safety Building - \$2,500,000
 - \$271,700 annually

 - ▶ Total available for FY 2014 - \$530,700
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Sales Tax Reimbursement Commitment

▶ Terms

- Reimburse \$2.75 M for infrastructure
- 10 year term - ending November 2015
- Which ever comes first

▶ Currently information

- Paid to date \$1.3M
- Annual reimbursement has fluctuated between \$100 & \$200K

- ▶ This is unrestricted so all that money will be available to the GF after 11/2015

FY 2013 Budget Calendar

Budget Calendar FY 2013

- ▶ Distribute Performance Measures info & request meetings December 20, 2011
- ▶ Distribute Budget Worksheets & Instructions February 10, 2012
- ▶ Distribute Personnel Request & Reclassification Forms February 10, 2012
- ▶ Distribute Goals & Accomplishments Forms & Instructions February 10, 2012
- ▶ Budget Worksheets, Personnel Requests & Reclassifications due to Finance February 24, 2012
- ▶ Distribute Capital Improvements Schedules, Forms, & Instructions February 24, 2012
- ▶ Revenue Review—Finance February 27-29, 2012
- ▶ Potential Budget Issues & Goal Setting Meeting March 05-06 2012
- ▶ 1st. Round Departmental Budget Meetings March 07-09, 2012
- ▶ Capital Improvement Forms due back to Finance March 9, 2012
- ▶ Goals & Performance Measures due to Finance March 9, 2012
- ▶ Capital Improvements Meeting (Finance & City Manager) March 19-20, 2012

Budget Calendar FY 2013

- ▶ 2nd .Round Departmental CIP/Budget Meetings March 20-23, 2012
- ▶ Revenue Update & Council Annual Goal Setting Workshop March 22, 2012
- ▶ Review of 1st. Budget Draft (Worksheets)
with Finance & Administration April 02 2012
- ▶ Department Head Budgetary Update Meeting April 02, 2012
- ▶ ***Final day for changes to the Proposed Budget*** April 06, 2012
- ▶ Review of Proposed (Pre Council) - Finance & Administration April 23-24, 2012
- ▶ Present Proposed FY 2013 Budget to City Council Mid May, 2012
- ▶ Budget Work Sessions with City Council @ Council Chambers May 2012
- ▶ Introduction to the Budget/
Personnel Matters/Capital Requests May 21, 2012
 - Departmental Presentations May 22, 2012
 - Departmental Presentations / Budgetary Wrap-up May 23, 2012
 - Reserved for additional Budget Meeting May 24, 2012

Budget Calendar FY 2013

- ▶ ***Final day for changes to the Tentative Budget*** May 31, 2012
- ▶ Present Tentative FY 2013 Budget to City Council Early June 2012
- ▶ Public Hearings on Tentative Budget June 19, 2012
- ▶ Adopt Tentative FY 2013 Budgets,
set Expenditure Limitation June 19, 2012
- ▶ ***Final day for changes to the Final Budget*** June 26, 2012
- ▶ Present Final FY 2013 Budget to City Council Mid July, 2012
- ▶ Public Hearing on Final Budget July 17, 2012
- ▶ Adopt Final FY 2013 Budget July 17, 2012
- ▶ Budget Due to GFOA for Award Review Oct 17, 2012

Questions

