

MINUTES OF THE BUDGET WORK SESSION OF THE CITY COUNCIL OF THE CITY OF COTTONWOOD, ARIZONA, HELD MAY 27, 2009, 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 5:33 p.m. Roll call was taken as follows:

COUNCIL MEMBERS PRESENT

Diane Joens, Mayor
Karen Pfeifer, Vice Mayor
Duane Kirby, Council Member
Darold Smith, Council Member

COUNCIL MEMBERS ABSENT

Tim Elinski, Council Member
Linda Norman, Council Member
Terence Pratt, Council Member

STAFF MEMBERS PRESENT

Doug Bartosh, City Manager
Richard Faust, Parks & Recreation Director
Mike Casson, Fire Chief
Kyla Allen, Executive Assistant

Rudy Rodriguez, Finance Director
Dan Lueder, Utilities Director
Tim Costello, City Engineer
Richard Smith, Deputy Clerk

FUNDING OF OUTSIDE AGENCIES THAT PROVIDE CORE SERVICES

Mr. Bartosh stated he thought it might be valuable that the Council had been provided with copies of a policy put together in July 2003 which talked about how we funded outside organizations. It was broken down into three categories: core services organizations which were those services that the City, if we didn't support these, would potentially have to provide; value added benefit services which added benefits to the City such as the Chamber of Commerce and the Old Town Association; and program funding, those organizations not considered providing the services above but seeking funding for a specific program, project or event. This would give the Council some idea of the parameters that were used in the past to fund these different organizations.

Mr. Rodriguez stated he had asked agencies which had been traditionally funded by the Building Better Community Grants program to make presentations today. Some had not yet been funded. Staff recommended they be funded as follows: Old Town Association - \$10,000; Senior Center - \$45,000; Veterans Van - \$5,000; Humane Society - \$29,184; and Catholic Charities - \$15,000.

Senior Center

Elaine Bremner, Executive Director of the Verde Valley Senior Center (VVSC), stated she was requesting continued funding for fiscal year 2009 - 2010 in support of the VVSC's nutrition, transportation, and activity programs. The City funded the VVSC in the amount of \$45,000

last year. The VVSC had met the needs of the homebound elderly in the Verde Valley, excluding Sedona, through Meals on Wheels and community dining. Other services offered included daily activities, educational programs with a focus on health, transportation, grief and loss seminars, legal advocacy, AARP tax aid assistance, a place for combat veterans to meet for counseling, and a home for many other service organizations. This year already the VVSC had provided home delivered meal service to approximately 374 residents of Cottonwood and more than double that number to congregant meal participants from this area. By the end of the current fiscal year, VVSC will have delivered approximately 22,600 hot, nutritious meals to the homebound elderly. This was at a time when giving was down but costs and demands for services were up. Funding for a minimum of \$45,000 was requested. An information and referral service was being planned in conjunction with the Cottonwood Senior Commission. Additional monies were raised through fund raising events supported by civic leaders of Cottonwood and surrounding communities.

Council Member Smith asked how many communities they served.

Ms. Bremner stated, Jerome, Cottonwood, Clarkdale, Cornville, Lake Montezuma, Rimrock, Middle Verde, Camp Verde out to Verde Lakes, and everything in between.

Council Member Smith asked what those communities contributed.

Ms. Bremner stated Camp Verde gave \$10,000, Jerome and Clarkdale nothing. The County contributed funding, but not for operational costs. NACOG contributed \$150,000 and Yavapai County Long Term Care some limited funds. The total budget was \$435,000. Some contributions came from participants who were asked to contribute \$3.50 per meal. Over 70 percent of people they delivered to were unable to pay anything. Fourteen percent were in Camp Verde. Over 58 percent of the meals were served in Cottonwood.

Vice Mayor Pfeifer asked who actually owned the Senior Center building.

Ms. Bremner stated the VVSC purchased it from the County after selling their old property on Pima Street. The new building was renovated with funds from the County which totaled \$1.6 million with an additional \$300,000 contributed by the City of Cottonwood. Camp Verde and Clarkdale also contributed.

Council Member Smith asked how big the VVSC board was.

Ms. Bremner stated, five members. Activities were free and varied daily.

Catholic Charities

Ms. Carol Quasula, site director for Catholic Charities (CC) in Cottonwood, stated they were a community action agency providing utility and housing assistance. The City's eligibility requirements for utility assistance were relaxed early this year which had permitted 53 applicants to receive help with their bills.

Mayor Joens stated the City had allocated \$10,000 for CC with the possibility of a \$5,000 increase, if needed. She asked how much of the funding had been utilized.

Ms. Quasula stated the allocation from the City was currently adequate to meet demand. The City's funding was for assistance with water bills. Catholic Charities operated other programs to meet needs for other utilities and for water applicants who did not meet the conditions required to receive City assistance.

Old Town Association

Ms. Lisa Pender, President of the Old Town Association (OTA), read the OTA mission statement which was to create and promote community events along historic Old Highway 89A in Old Town Cottonwood, to promote tourism and economic development, and promote a return to Main Street America. Banners had been purchased to promote the area. Three annual events held were a film and arts festival, Halloween Safe Night, and the Chocolate Walk. The art walks were currently being held monthly, on second Saturdays. Also there were cruise-ins which were themed for different eras or holidays and there were live bands and radio broadcasting. They assisted with the Walkin' on Main event. The OTA requested funding of \$10,000. There were no paid positions. All the members' time was voluntary.

Vice Mayor Pfeifer stated having an old historic area was important for the city.

Ms. Pender stated the OTA was working with the Wine Consortium and tour bus companies to promote tourism.

Council Member Smith asked if the OTA had provided a scope of service and signed an agreement with the City.

Mr. Bartosh stated the City received quarterly reports. He was not sure about the agreement.

Ms. Pender stated in the past there had been a contract.

Council Member Smith asked how much money the OTA received from the Chamber of Commerce.

Ms. Pender stated, none. The Chamber contributed services by way of membership and cross promotion. Other than the City donation, funds came from event sponsorships and fundraising. Memberships did not raise a lot a money they way it did for the Chamber.

Vice Mayor Pfeifer stated lately there was a lot of cooperation between the OTA and Chamber, while in past years that had not necessarily be the case, but the Chamber did not donate money to other organizations.

Ms. Pender stated the OTA was seeking grant funding but had difficulty since they functioned only with volunteers.

Mayor Joens asked if the required reports were going to be submitted.

Mr. Rodriguez stated, yes. New agreements needed to be prepared for the VVSC and OTA which would stipulate the type of reporting required and the dates they were to be submitted to the City as well as ramifications for not submitting them on a timely basis.

Vice Mayor Pfeifer asked if there were any non-profit organizations the City contributed to that dealt solely with residents of Cottonwood and not the surrounding area.

Mr. Rodriguez stated, not that he knew of.

Mayor Joens asked if all government forms had been filed.

Ms. Pender stated the city had a copy of their 990 filing, their insurance forms and a copy of the Corporation Commission filing.

Humane Society

Ms. Cyndi Sessoms, Chief Executive Officer of the Verde Valley Humane Society (VVHS), stated their building was leased from the City for \$1 per year. In return the VVHS gave discounts for animals brought in from Cottonwood. VVHS paid for all maintenance and utilities. During 2007-08, the last full year of reporting available, they impounded 332 dogs and 382 cats from the City, which was higher than all those brought in from the County. Of those, 314 were brought in by Cottonwood animal control and 400 by private individuals. Vaccinations, spaying and neutering were part of their service. Animals were often kept longer than the three days budgeted for, especially in the case of pregnancies. Their euthanasia rate was one of the lowest in the country. Expenses included food and medical care for the animals, staff coverage seven days a week, building maintenance, staff, office supplies, etc. The amount of \$29,184 budgeted, worked out as \$44.66 per animal. The national average was \$70 - \$72 per animal. Cottonwood's fees had not been increased since 2004. The board agreed fees should be increased to about \$55 per animal, adding \$10,455 to the amount budgeted. They obtained some spay/neuter assistance and researched the possibilities for grants, which were limited because their work was with animals, not people.

Mayor Joens asked if there wasn't a statute that required the City to furnish the services that the Humane Society furnished for 72 hours.

Ms. Sessoms stated they held animals five days before putting them up for adoption. Pregnant animals were kept until puppies or kittens were weaned.

Council Member Kirby asked if \$21,000 could not be found to apply to the VVHS.

Mr. Rodriguez stated it could be pulled from reserves, but there were other agencies making claims on these funds.

Council Member Kirby stated the VVHS should be supported at the rate of \$50,000.

Mr. Rodriguez stated the matter would be brought up during the budget wrap-up.

Ms. Sessoms stated the net receipt to VVHS from an \$85 adoption was \$20.

Mayor Joens asked how much of that went to the building.

Ms. Sessoms stated it would be done any way the City wanted.

Veterans Van

Ms. Camile Severson, Senior Coordinator for the Verde Valley Veterans Van (VVV), stated they had two vehicles with high mileage and which were beyond warranty. Expenses were needed for maintenance and upkeep. The vehicles provided service to veterans, elderly, and disabled to scheduled medical appointments at the Veterans Administration (VA) in Phoenix and Prescott and to private physicians' offices in Cottonwood. There were 15 volunteer drivers and three volunteer office staff who together put in about 15,000 hours last year and drove about 145,000 miles.

The VVV was made a line item several years ago. At that time all they were asked to provide the City was a budget of income and expenditures. This year a new logo wrap was needed for the vehicles and constituted its budget priority. They requested \$7,500 funding, and raised additional money through fundraising.

Council Member Smith asked what their annual budget was.

Ms. Severson stated they received \$5,000 each from Cottonwood and Yavapai County. Clarkdale and Jerome were not funding anything. The total, she guessed was \$45,000.

Mayor Joens stated proper documentation should be obtained if they were to be funded.

Mr. Rodriguez stated it would be obtained and an agreement prepared.

Ms. Severson stated they served up to 1,200 veterans per year.

Mr. Rodriguez stated that even if other agencies were not directly funded, groups such as the Civil Air Patrol and the Boys & Girls Club received rent free space in city buildings whose commercial equivalent was substantial. We also helped support Missoula Children's Theater with a donation of \$1,000.

Mayor Joens stated Parks & Recreation donated \$1,000 for Verde River Days. She asked

that the Council look at discussing that and the Birding Festival which would be a means of assisting economic development if more people can be attracted.

Mr. Rodriguez stated these items would be added to the final budget wrap-up.

Dr. Bob Richards, of Cottonwood, stated his belief that none of the non-profit agencies should be line items in the budget. They did not provide documentation. The budgeted amounts appeared to be arbitrary. He asked if the City water department could do the same job that Catholic Charities was doing.

Mayor Joens stated, no. Staff would have to receive applicant eligibility training.

Mr. Richards stated the OTA appeared not to need any City assistance. What was being funded at the WVSC? How much funding did the County give to the WVHS? Did they provide documentation?

Council Member Kirby stated, yes.

Mr. Richards stated just because these agencies gave the Council numbers, he did not believe that was necessarily the amount that they should be provided with.

Vice Mayor Pfeifer stated those were not figures they gave us, but figures determined by the Finance Director.

Council Member Smith stated we should have documentation of why they were asking for the figures they did.

Mayor Joens stated figures were never, ever approved without their being approved by the Finance Director.

Mr. Bartosh stated we got quarterly reports.

Council Member Smith asked when they come before the Council as they did tonight, where their figures come from.

Mayor Joens stated the Catholic Charities figure was determined by Code. It was an allocation and if it was not all used it was not replenished until needed.

Council Member Kirby stated these were not figures the charities brought to us but were established by the Council for them to perform by. We had come up with these figures in the past, based on services to the community.

Council Member Smith stated he did not know that. He thought, like Mr. Richards, that they came up with the figures, not the Council.

Mr. Rodriguez stated the reason the numbers for the VVHS were peculiar was because their contract with the City worked on a formula.

Mr. Bob Oliphant, of Cottonwood, stated the Missoula Children's Theatre was a very important program for local children, and was a non-profit organization which deserved more than \$1,000 from the City.

Mr. Faust stated the Parks & Recreation Department contributed \$1,600 to this program.

Mr. Tom Pender, of Cottonwood, stated his thanks to the Council for their service to the community.

Mr. Rodriguez stated the Building Community Grant was set up to be funded only if the City met its revenue figures, which had not happened this year.

PUBLIC SAFETY MULTI-PURPOSE ROOM DETERIORATION

Mr. Rodriguez stated maintaining the facility was discussed at the last meeting. It was not just a matter of the bathrooms not getting cleaned or the foyer not being kept properly. The room itself has fallen into ill repair. The tables and chairs had taken a beating. The carpet was in really bad shape. Staff recognized the Council's desire to have a rent-free meeting room available to the public, but wear and tear there occurred without there being anyway to collect any fees for maintenance or cleaning. It got quite a bit of use; 62 percent of by outside agencies, not necessarily non-profits but also individuals who used our facilities to put on programs for pay then walked off with the proceeds while the City got nothing out of it. Use was often during the day which made use by staff difficult to schedule. At one time we said City use would have priority, but that was not always the case now. The recreation center would be charging fees for use of their facilities. If this facility remained free, use would increase and we would be taking away from the recreation center's opportunity to be able to regain some of their costs of operation through the rental of their facilities. Regardless whether we charged or not, it was important to set a policy on its use and whether it should be for non-profits or also profit organizations, and if so, should they pay for its use.

Mr. Bartosh stated there was a use policy for that facility and it did not include use by for-profit organizations. It was supposed to be used only for community meetings, non-profits, and public safety.

Chief Casson stated for profit teaching seminars were permitted if staff were attending. The original room design was planned for the multi-purpose rooms to be training centers for public safety, an emergency operations center, and lastly for other public uses, as needed by the City.

Council Member Smith asked who set up the appointments for the facility.

Mr. Bartosh stated it was done by the administrative coordinator of the police department.

Vice Mayor Pfeifer stated it wouldn't hurt to impose a cleaning deposit.

Mayor Joens stated the citizens paid for these facilities. So many non-profit community groups met there.

Mr. Bartosh stated there were two issues. If we were going to charge to use the recreation facilities, everyone would be using the Public Safety Building because it wouldn't cost anything to use. The bigger concern was that one of the primary purposes of that room was for it to be used as an emergency operations center. We currently had a grant request in for about a quarter of a million dollars worth of very sophisticated equipment. At the point where we got that in place, we really shouldn't be allowing people in there who weren't affiliated with public safety because of the potential for damage to the equipment.

Mayor Joens asked where the community would get their service needs met. The County had three rooms they did not charge for. She asked if those with city needs should go to the County.

Council Member Kirby stated a simple solution would be requiring a deposit. It was a reasonable approach if we were going to continue to use the multi-purpose rooms for public meetings.

Mayor Joens stated the multi-purpose rooms had phones and door locks for security.

Mr. Faust stated the recreation center would be staffed until 10 p.m. We already had a policy in line whereby non-profits would be charged about half the standard rate. For entities associated with the City, it could be worked in as part of the City structure. Since the recreation center had a mandate to try to recover costs, there could be a serious problem unless policy was standardized for both facilities.

Vice Mayor Pfeifer asked if the Public Safety Building was designed at first to be meeting rooms for the public or as training rooms.

Chief Casson stated that training was the original intent. Because there were no other facilities where people could have their meetings, it became a good place to come to. It's convenient and it's free. What he was experiencing was, quite often when he had the need to conduct training, the room was already booked for use. The fire department's needs would only increase as twelve more firefighters were hired and needed instruction. There was no other room large enough for this purpose.

Vice Mayor Pfeifer asked if with Homeland Security being what it was and this facility being for police and fire, were we not one of the few municipalities that allowed access to the public into a public safety facility. Weren't most more secure and closed off?

Chief Casson stated most facilities he had been affiliated with were limited to use for public safety activities inside those complexes, but he had been given an edict to try to facilitate the needs of the citizens of our community. Now there was a paradigm shift. Part of those discussions were about the need to shift community use to the recreation center. If they were going to charge for use and we were not, the demand for using public safety facilities was only going to increase.

Mayor Joens stated she understood the City would need to use it more with the twelve new firefighters coming on. She had always been proud of this space where she could invite people to come to her community and meet. The best attendance for community meetings was always when they were held in Cottonwood. Now we wouldn't have a facility that people could use but didn't have money to pay for it and they would have to drive to Camp Verde or some other place where they could get a meeting room. It benefited the City of Cottonwood to host these meetings. She hated to see that taken away.

Mr. Bartosh stated the Council needed to come up with a policy about what a city function was.

Mayor Joens stated perhaps if a group was from out of town they should be charged.

Mr. Bartosh stated the tax payers built the pools and the Little League fields and the Library but we still charged fees to use those as well. The reality was that we all generally paid for it, but if you were a group that continually used it perhaps you should put in a little more to support it.

Council Member Smith asked why we shouldn't charge outside groups.

Mayor Joens stated there were non-profits that benefited the community that didn't have funding.

Mr. Faust stated that Durango and Flagstaff charged \$50 per hour for use of their rooms. If it was a city function there was no charge. Outside non-profits were charged half. What they had seen was that when people used something for nothing, there was always damage to the facility. That didn't happen when there were fees and deposits. This would eliminate extra work for staff and custodians. He favored creating a fee policy.

Mr. Rodriguez stated it was a matter that should be addressed in the future.

REFUNDING 2006 MUNICIPAL PROPERTY CORPORATION (MPC) BONDS

Mr. Rodriguez stated as of July 1, 2009, the total amount of the bonds would be \$23,240,000. The City of Cottonwood was responsible for \$16,769,200 and the City of Clarkdale \$6,470,800. Discussions had been held with the underwriter, Stone & Youngberg, about possibly going with the water structure finance authority and having them give us a loan so we could go ahead and pay this \$23,240,000 off. The way it would work

was Clarkdale would solicit their own loan. That money would be set aside in escrow to pay for the interest and principal for the next seven years at which point the old bonds would be callable and we would go ahead and extinguish that loan. This was similar to what was done with GADA for the recreation center where the bonds also had a call date. One of the reasons to try to refund those bonds was to cut the last tie we had with Clarkdale. When we took on the water companies they did not have the financial strength to float their own bond. The City of Cottonwood was able to float the bond for Clarkdale. We took on the responsibility for all the debt and all the debt service while they had all the assets on their books, which did not help our financial statements. Billing had been turned over to them already. Full operations would be turned over to them on July 1, 2009. The last link that remained was this burden of debt service. Whenever we needed capital projects, we made sure that we had the funding available, whether it was cash or we borrowed. Clarkdale on the other hand had operational issues, a lot of problems, and always complained they didn't have enough money even though they borrowed excess funds. They should have had money in reserves for system improvements. This would relieve Cottonwood of responsibility for them and they would have their own loan. The State agency would float the loan regardless of their financial strength. No problems were anticipated for either city.

Mayor Joens asked if Clarkdale wasn't able to get a loan when the water companies were purchased.

Mr. Rodriguez stated in order to help them, because they didn't have the financial strength, we decided to have our MPC go through the process and take them on. Now we wanted to get Clarkdale off. This was a way to do so.

Mayor Joens asked if we would pay off our bonds and get a new loan without any penalties.

Mr. Rodriguez stated part of the agreement was they wanted something new on the table. They did not want to just refund the bonds. A couple of items needed to be added on which would be discussed in upcoming meetings.

Mr. Bartosh stated Clarkdale was also looking at funding additional projects as well.

Council Member Smith asked what interest rate was being paid on the loan.

Mr. Rodriguez stated it was an escalating interest rate. It started at about 3.5 percent and was now about 5.5 percent.

Council Member Smith asked how Clarkdale was paying their share of the interest.

Mr. Rodriguez stated both cities contributed into an escrow fund every month. Every January first we paid the interest portion and in July we paid principal and interest. The interest came to us and was used to subsidize our debt service payment. That was because we were taking full responsibility for the loan.

Mr. Bartosh stated this was a significant liability for the city that we should try to get from underneath.

Mr. Rodriguez stated this idea was not in the budget yet. If added, it would increase the budget by that amount. Regulations required cities to pay the bonds, even if rates had to be increased to do so. He asked if the Council like this idea.

Mayor Joens stated, yes.

Council Member Kirby stated so long as we can divorce them completely and make them totally responsible for their part of this whole operation, he would be happy with it.

Mr. Bartosh stated that was the whole idea; both operationally and financially.

Council consensus was to proceed with the concept.

Well Acquisitions, Foxworth Building Remodel, Water System Improvements, Wastewater Improvements

Mr. Rodriguez stated in order be able to obtain MPC bonds, besides the loan, we would be looking at \$3 million for water and \$4 million for wastewater. Part of both would be to reimburse those departments for the purchase of the Foxworth building. The water company would use funds for well acquisitions and improvements. Wastewater would use funds for system improvements including the wastewater treatment plant.

Mayor Joens asked if we really needed these things or were we adding them to be able to separate from Clarkdale.

Mr. Rodriguez stated these items were in the Capital Improvement Plan.

Mr. Lueder stated they were planned for the next two years.

Council Member Smith asked when rates would be increased.

Mr. Lueder stated a study would be presented to the Council in July. After discussion, and if approved, they would take effect 30 days afterwards, to commence in autumn. The increases would be minimal. Sewer would go up to about \$20 per month and water would be increased about six to eight percent. We should have had two rate increases by now.

Mayor Joens stated the thing we should do was to look at it every year and raise it a few pennies and not have it be a huge impact.

Mr. Lueder stated sewer bills in Clarkdale would be \$28 per month while in Bullhead City the average sewer bill was \$85 per month. The minimum water bill was \$39. It was time to raise our rates.

Mayor Joens stated we should have a spreadsheet so that people could see the rates were comparable.

BORROWING NEEDS DISCUSSION

Streets

Mr. Rodriguez stated additional borrowing for street construction totaled \$3.7 million for two projects: the two sections of the reconstruction of Mingus Street. Council had made it clear that it wanted to continue to have street projects and upgrades. Just the Twelfth Street reconstruction from Fir Street to 89A would deplete our funds which will take several years to replenish to a point where we can pay as we go. This would allow us to do other projects, and it had already been budgeted. We planned to go through GADA and had the credit to do so since we pledged our excise revenues and in the case of wastewater, their revenues.

Council Member Smith asked if drafts were being worked on for the widening from Willard to SR89A.

Mr. Costello stated there had been a neighborhood meeting last week and a draft plan would be presented to the Council for input.

Council Member Smith asked if it would be made 3-lanes or 4-lanes.

Mr. Costello stated, three. The traffic volume was 6,000 a day.

Council Member Smith asked if we could get more easements.

Mr. Costello stated it would be our standard for 4-lanes. We wanted an 80 foot wide right-of-way, which would support four lanes. We probably wouldn't need all four lanes for the first lifetime of this project. We would have more difficult problems ramrodding four lanes down to the next segment to Main. He announced there would be another neighborhood meeting scheduled next Monday at 6:30 p.m. in the Public Safety Building. Its subject was the South Twelfth Street job from 89A to Fir.

Public Safety Lease Purchase

Mr. Rodriguez stated the City was looking to lease some vehicles for the police and fire departments.

RE-ORGANIZATION OF CITY DEPARTMENTS

Mr. Rodriguez stated the reorganization should be discussed at another meeting.

BUDGET WRAP-UP

Mr. Rodriguez stated the budget wrap-up would be given next week and the tentative budget would be discussed and adopted by June 23rd.

ADJOURNMENT

Council Member Kirby moved to adjourn. The motion was seconded by Council Member Smith, and carried unanimously. The budget work session adjourned at 8:34 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 27, 2009. I further certify that the meeting was duly called, and that a quorum was present.

Richard Smith, Deputy Clerk

Date