

MINUTES OF THE WORK SESSION OF THE CITY COUNCIL OF THE CITY OF COTTONWOOD, ARIZONA, HELD JANUARY 12, 2010, IMMEDIATELY FOLLOWING THE COUNCIL'S SPECIAL MEETING SCHEDULED AT 6:00 P.M., AT THE CITY COUNCIL CHAMBERS BUILDING, 826 NORTH MAIN STREET, COTTONWOOD, ARIZONA.

CALL TO ORDER AND ROLL CALL

Mayor Joens called the work session to order at 6:13 p.m.

COUNCIL MEMBERS PRESENT

Diane Joens, Mayor
Karen Pfeifer, Vice Mayor
Tim Elinski, Council Member
Duane Kirby, Council Member
Linda Norman, Council Member
Terence Pratt, Council Member
Darold Smith, Council Member

STAFF MEMBERS PRESENT

Doug Bartosh, City Manager	Steve Horton, City Attorney
Rudy Rodriguez, Finance Director	Tim Costello, City Engineer
Morgan Scott, Staff Engineer	Steve Jackson, Maintenance
Kyla Allen, Executive Assistant to the City Manager	Richard Smith, Deputy Clerk

ITEMS FOR DISCUSSION, CONSIDERATION, AND POSSIBLE DIRECTION TO STAFF:

UPDATE REGARDING ACTIVITIES AND EVENTS TO PROMOTE THE CITY OF COTTONWOOD'S 50TH ANNIVERSARY AND DIRECTION TO CREATE AN EVENT PROGRAM FOR THE COUNCIL'S APPROVAL

Ms. Kyla Allen stated various events were being considered to promote the city's 50th anniversary of incorporation. These were to inform citizens of historic values and promote tourism. The major promotional feature would be the annual Walkin' on Main event which would be scheduled around the anniversary date of November 7, 2010. Other activities under consideration included involving the Clemenceau Museum in a historical scrapbook project, having children of the Cottonwood Oak Creek School District participate in a poster contest, producing anniversary medallions, placing street banners, conducting walking tours, and promoting local artists.

Council Member Smith suggested contacting *Arizona Highways* to run a feature about the anniversary on their television program and/or in their magazine.

Council Member Kirby emphasized the need to involve former Mayors and Council Members in some form of recognition ceremony.

Vice Mayor Pfeifer thought that cross-promotion could be achieved through the Chamber of

Commerce website.

Council Member Elinski suggested promoting events statewide since interest existed outside the Verde Valley and the opportunities for tourism were greater.

Council Member Pratt suggested having local musicians provide entertainment, while Council Member Norman added there were local dance groups which could also participate.

Council Member Kirby emphasized there should be historical focus as well as contemporary entertainment.

Mayor Joens thought a play or pageant could be an effective method of conveying history in an entertaining format.

Further discussion centered on involving the college, businesses, and volunteers. Many events were preferable, with the number increasing around the November anniversary date.

The Council's direction to staff was to promote activities statewide and to obtain cost estimates for different activities to consider at a future Council meeting.

BUDGETARY UPDATE ON THE LACK OF REVENUE TO SUPPORT THE CITY'S CURRENT FISCAL YEAR BUDGET AND REVIEW OF SUGGESTIONS ON HOW TO BEST MANAGE THE SITUATION

Mr. Rodriguez, using PowerPoint for illustration, stated the Council had been presented with details of the current budget deficit during recent Council meetings. After implementing a hiring freeze, postponing capital expenditures, and reducing departmental budgets, the deficit had been reduced to \$415,710. The Council had already indicated it did not wish to make cuts in the amounts allocated for the opening of the recreation center or the reserve set aside to cover expenses for the recreation center in excess of fees collected.

Council Member Kirby noted the city had spent \$17 million on the recreation center and now had to subsidize its operation.

Discussion ensued regarding having a catering service supply refreshments at the facility. While the city wouldn't gain any revenue from food sales, there would be a modest lease income and the service would help draw people to use the facility.

Mr. Rodriguez stated some of the budget deficit could be made up from the Council's budget and a reduction of contracted janitorial services. Discussion resulted in the elimination of approximately \$100,000 of budgeted items from this budget including travel and training, the annual appreciation event, large item pick-up, laptop computers, parking lot overlays, funding for the Veterans' Van, prosecution services, custodian services, and the summer luau.

A study would be made to determine whether the Veterans' Van was a properly instituted non-profit organization and whether there should be any future funding of it if it were found to be a for-profit group.

A discussion determined the city should fund such events as the Easter Egg Hunt but it was hoped that business partners could be found who might pay for expenses while the city

would provide personnel to organize and run the events.

Council Member Smith stated reserves should be used to cover deficits.

Mr. Rodriguez explained, as he had at previous meetings, that reserves should be used to the smallest extent possible to cover daily maintenance and operations costs. Reserves were difficult to build up and were designed to cover one-time unforeseen events which constituted emergencies. Use of capital reserves would require that user fees be increased so that service could be maintained at the required levels. The General Fund was designed to cover deficits and needed to be funded accordingly.

Other means needed to be found to cover the remaining deficit of approximately \$300,000. Various options of partnering services with other agencies were being considered for such things as some court activities and outsourcing services such as building maintenance. Some services might even be brought in-house, but cost analyses still needed to be completed to determine the desirability of such changes.

Meanwhile, the options for cost cutting were now limited to reductions in staffing and/or staff benefits or the merit program could be suspended, increases made in dependent insurance coverage, salaries or hours reduced, days taken without pay, reductions in force considered, or reserves utilized.

Any decision would have advantages and disadvantages. The merit program, for example, had already been implemented for half a year, benefiting those employees whose reviews had come in the first half of the fiscal year. If imposed now, it would be to the detriment of those who had not yet received their annual reviews. In fairness it was a reduction that should be made only at the start of a fiscal year.

A reduction of dependent health care insurance was advantageous because it would not affect salaries or retirement benefits. Although it would add to employees' expenses these could be partially offset through related tax savings. However, not all employees would be affected by such a change.

Council Member Elinski stated that such choices should be made by staff members and it was incumbent to educate staff members on the need for and the consequences of their decisions.

Council Member Pratt stated it was important to obtain staff input for any decision that would be made.

Mr. Rodriguez stated having employees take voluntary days off would save \$30,000 a day. To be effective it would have to be mandatory. However public safety personnel would have to be treated in a different manner since they were required to work a minimum of 40 hours a week to stay in their retirement system. Another disadvantage would be the negative affect on people close to retirement.

Salary and hour reductions would result in a loss of services to the public and possibly a loss of staff members as well, since they might be inclined to look for more secure employment. A reduction in force would affect services to the public even more and severely affect staff members let go and the morale of remaining staff. The city would lose institutional knowledge and incur costs later of retraining new staff members.

Mr. Rodriguez did not believe the carryover for a 60 day reserve fund or capital accumulation funds should be tapped for reasons stated earlier, but thought the remaining deficit could be covered by the 1 percent Sales Tax General Fund Facilities Fund if the Council chose to do so. It was his belief there were sufficient funds to do this and that any drawdown from it could be replaced in a relatively short period of time.

Council Member Smith asked about earnings on investments and was advised these were minimal due to the current low interest rates paid on the types of securities the city invested in to minimize risk to its assets. Most higher earning securities had or soon would be called by the issuers and converted into ones with lower paying interest rates.

Council Member Elinski suggested that furlough days without pay might be the least detrimental to staff members.

Discussion ascertained that Cottonwood was one of the few cities to offer a merit program or dependent insurance. These items should be considered for deduction, but only after discussions with staff members. Merit reductions should only be implemented at the beginning of a cycle.

Mayor Joens stated other cities were laying people off. While staff might be asked to make sacrifices, the Council should be recognized for the efforts it had made and continued to make to preserve staff positions.

The Council's consensus was that while further cuts would be asked of staff members they first needed to be allowed to provide feedback to enable the Council to make its decision.

ADJOURNMENT

Mayor Joens moved to adjourn. Council Member Elinski seconded the motion, which carried unanimously. The work session adjourned at 8:20 p.m.

Diane Joens, Mayor

Richard Smith, Deputy Clerk