

MINUTES OF THE WORK SESSION OF THE CITY COUNCIL OF THE CITY OF COTTONWOOD, ARIZONA, HELD MARCH 11, 2010, 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 6:00 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

George Gehlert, Community Development Director	Doug Bartosh, City Manager
Richard Faust, Parks & Recreation Director	Rudy Rodriguez, Finance Director
Roger Biggs, Utilities Administrative Manager	Mike Casson, Fire Chief
Casey Rooney, Economic Development Director	Tim Costello, City Engineer
Kyla Allen, Executive Assistant to the City Manager	Richard Smith, Deputy Clerk

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

GOAL SETTING FOR THE CITY'S 2011 FISCAL YEAR BUDGET/RESERVE UPDATE

Mr. Rodriguez stated this was the kickoff of the budget season. The economy would be driving what the city would do. Regarding revenue updates, this would be the first year the 3 percent local sales tax would be in effect for the full year. The General Fund started the year at an estimated \$8.4 million. A recent revision showed this figure was now down to \$7.8 million, as recently reported to the Council. This included shifting all sales tax, including HURF funds, back to the General Fund. These changes would be temporary and funds reallocated when the economy improved. The trend in revenue had been down about 12 percent from last year. Sales taxes were also below estimates. Over the last three years they had declined almost 14 percent. State shared sales taxes were down about 6 percent for the year and almost 18 percent over three years.

Sales taxes were first applied to debt service and operational expenses of the Recreation Center in the amount of \$600,000. Remaining revenue was prorated equally between maintenance & operations (50 percent) and capital projects (50 percent). Capital projects were allocated 30 percent to street improvements and 20 percent to general government

and facilities. Construction sales taxes were down substantially.

State LTAF monies had not yet been distributed and possibly would not be. This would represent a loss of between \$50,000 and \$70,000 to HURF for transportation funds. State legislation for financial transparency was becoming likely and if enacted would add to the city's expenses because of new software requirements and the need for a full time position to be created to conduct the required reporting.

The city continued to maintain fund balance reserves of 60 days coverage of operating expenses amounting to approximately \$1.2 million. An additional \$1 million was set aside in the Capital Accumulation Fund. No additions from sales taxes would be made to it for the time being.

### INCREASING COSTS

Costs were increasing, both for personnel and utilities. Rate increases for water were being considered. Rate increases to the city for utilities were anticipated. The first monthly utility bill for the Recreation Center had been received.

Mr. Faust stated the bill was for \$12,000 and bills of \$17,000 per month could be anticipated in summer months.

Mr. Rodriguez stated APS bills alone would increase about \$200,000 annually. Personnel costs continued to increase despite positions being frozen. Health insurance increases were expected to be about \$140,000 due to price increases and the addition of new staff at the Recreation Center. Worker compensation costs were increasing despite the city's better than average risk level.

### CAPITAL PROJECTS

Ongoing projects included arsenic remediation which had an anticipated completion date of June 30, 2010. The Foxworth building was expected to be ready to move into by mid-April. The Pine Shadows waterline was entering its final design stage and was expected to go to bid this summer. Plans for water line improvements on Highway 260 were complete and would go to bid shortly. New reservoir designs for well 8/9 and Yuma were completed and approved by ADEQ. Construction was expected to commence this spring. The Bella Montaña water reclamation facility plans were nearly completed as were the plans for the Highway 260 sewer extension. Street improvements were continuing on West Mingus Avenue from Highway 89A to Willard Street with completion expected this fall. Work on Twelfth Street from Highway 89A to Fir Street was continuing and expected to be completed next year. The new Court facility was underway with move-in expected this summer. Pavement preservation projects were planned for the Mingus and Main neighborhood this year and the East Main area next year. Bike lane signing and markings were planned for South Willard Street, Fir Street, and South Sixth Street. Airport projects included submittal for a grant to extend the length of the runway. The city hoped to soon obtain the services of a Fixed Base

Operator for the airport, possibly by May of this year. Land had been purchased for a Communication Center and a consulting, design, and engineering firm was being sought to contract with for that project for which \$350,000 had been budgeted.

### CRITICAL AREAS

The next budget year would be very tough and lean. The city was required by State Statute to have a balanced budget. It did not wish to increase or add any new taxes. It had to comply with all its bond covenants while trying to maintain the current level of services offered and protect staff the best way possible. To that end no cost-of-living adjustments, additional staffing, or reclassifications were being considered. Positions were being frozen, subject to review by the City Manager. Cost cutting measures had been implemented and would be continued.

Staff had been consulted and informed of the budget issues. Their feedback was if worse came to worse, to have salaries maintained and cuts taken from merit pay and cost of living increases. Staff's next preference was to have increases in insurance premiums and then a reduction of hours.

The Recreation Center would still open on schedule but cost saving measures needed to be implemented. Revenues were under review with a view to having a successful opening and the lowest possible cost of operation. It was hoped that the Center would be an area attraction and generate visits to the city and encourage people to shop here and add to local sales taxes in doing so.

Mr. Bartosh stated the Council's direction last fall when the budget did not look so bad was to hire all needed staff for the Recreation Center. He had asked that staff hold off back filling positions that became vacant from the creation of new positions until they had a good idea of actual operational costs. He asked for the Council's support for this concept.

Council Member Pratt asked if any volunteers had been recruited.

Mr. Faust stated volunteers could only do so much since they were not trained for the professional services that were needed.

Council Member Elinski stated his concern was that the opening had to be such as to impress people who had purchased annual passes on whom it was important to make a good impression that the Center would provide quality service. He asked if it might be advisable to put up signage promoting local attractions and businesses.

Mr. Rooney suggested a kiosk for that purpose might serve the purpose.

Mr. Rodriguez stated any ideas should be forwarded to Mr. Faust for consideration.

### PLANNING FOR HARD TIMES

Mr. Rodriguez stated this would be a tough year. Budget planning was just at its initial stage. If after the first review of base budgets additional cuts were needed, they would be made. Operating hours may have to be adjusted and programs reduced. The city wanted to keep core services intact. Non-essential services would be looked at closely. It may be necessary to increase employee health care cost sharing or dependent health care cost sharing. There could be possible furloughs, reduction in work force, days off without pay, early retirement incentives, staff reductions (including fire, police, and utilities), and use of reserves. This current fiscal year the budget had been reduced so much the deficit was down to about \$160,000 which staff would in the future ask the Council to approve the use of reserves to cover.

Mr. Bartosh stated what that meant for this year was the merit program would be continued, but reconsidered for the next fiscal year.

Mayor Joens stated it was a matter of fairness that all staff members received the same benefits this fiscal year.

Mr. Rodriguez stated the reserves could handle such a deficit this year and several years into the future, much better than a single larger deficit. It was important to ensure reserves used in this matter were replenished as soon as circumstances allowed. Despite falling revenues, costs continued to increase as did the amount of work to be done. He then reviewed the budget calendar with a target date for the final budget to be presented to the Council by July 20, instead of the traditional date in August.

Mr. Bartosh stated there were a lot of unknowns with revenues and costs. The biggest was determining what the State would do with state shared revenues because of the State's own budgetary problems.

Council Member Pratt stated it would be interesting to watch what effect the Recreation Center would have on the local economy. Promotion was important for economic engines such as the Recreation Center and wine tasting since these gave more reasons for people to come to Cottonwood and spend money.

Council Member Smith asked how much money was in the General Fund.

Mr. Rodriguez stated about \$4 million.

Mayor Joens asked how the Council's Strategic Plan fit into this.

Mr. Rodriguez stated it was moving forward with everything it was possible to do provided there was no financial burden imposed by implementation. The Growth Plan had been sidelined because of cost.

Mr. Bartosh stated the salary market survey had been postponed as well and so had the goal of getting a new city hall.

Council Member Elinski stated those things staff had identified as best to cut should be cut so that adjustments would not be required later in the fiscal year.

Mr. Rodriguez stated the merit program would be eliminated at the beginning of the budget year. When preliminary budget figures were prepared, a decision would be made regarding health care benefits in order to be able to present the Council with a balanced budget. Staff's wishes for cutbacks would be taken into consideration.

Mr. Bartosh stated it was important to recognize the city was still moving ahead on some important projects such as streets and utilities which were improving our city and adding to the local economy.

Mr. Rodriguez asked if there was anything else the Council wished to have staff do or see in the budget as far as types of programs, things it wanted to protect or work on to be put into the budget.

Mayor Joens stated outside entities which we had supported were not addressed.

Mr. Rodriguez stated his belief was their budgets should be treated as ours was. He favored changing any agreement that had an extension clause so that it would allow the city to renegotiate the contract if the city lacked funding. It was difficult to ask staff to accept sacrifices when none were asked of outside agencies as well. The NAIPTA agreement needed to have some cost containment measures in it so the city was not burdened by programs operated by other entities.

Mr. Bartosh stated preliminary figures were under review for the NAIPTA agreement and there were concerns about the costs of such an agreement.

Mr. Rooney stated he had something he would like to see on the list. He thought the time was right to invest in the Old Town Jail. He recommended adding it to the list. It could be leased after renovation and turned into a revenue generator.

Mr. Bartosh stated it was a matter to discuss at a work session. Not only was there the Jail but the court next door and the Parks building that would be empty of staff. A determination had to be made whether to invest in them and lease them as revenue sources.

Mr. Bob Oliphant, of Cottonwood, stated other avenues of revenue might include debt collection on water and sewer bills, imposing fire run charges, and a review of fees imposed by the city. He suggested several other measures which the City already had implemented.

Chief Casson stated imposing a fire run charge was a policy decision for the Council to make. Collection difficulties would have to be considered since so many runs were made to the indigent.

A discussion ensued regarding ambulance service which could potentially be a revenue

generator but the city was limited by State Statute in what it could do in that regard.

ADJOURNMENT

Council Member Smith moved to adjourn. Council Member Pratt seconded the motion, which carried unanimously. The work session adjourned at 7:31 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 work session of the City Council of the City of Cottonwood held on March 11, 2010. I further certify that the meeting was duly called, and that a quorum was present.

---

Richard Smith, Deputy Clerk

---

Date