

MINUTES OF THE BUDGET WORK SESSION OF THE CITY COUNCIL OF THE CITY OF COTTONWOOD, ARIZONA, HELD MAY 26 2010, AT 2:00 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 2:00 p.m.

COUNCIL MEMBERS PRESENT

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

COUNCIL MEMBER ABSENT

Terence Pratt, Council Member

STAFF MEMBERS PRESENT

Doug Bartosh, City Manager
Marianne Jiménez, City Clerk
Steve Horton, City Attorney
Tim Costello, City Engineer
Douglas LaSota, City Magistrate
Janie Randall, Court Administrator
Richard Smith, Deputy Clerk
George Gehlert, Community Development Director
Casey Rooney, Economic Development Director
Kyla Allen, Executive Assistant to the City Manager

Dan Lueder, Development Svs. General Manager
Rudy Rodriguez, Administrative Svs. General Manager
Richard Faust, Community Svs. General Manager
Jason Little, Recreation Manager
Carol Brown, Budget Analyst
Jody Fanning, Police Chief
Brent Kinney, I.T. Technician

DEPARTMENTAL BUDGETS

City Council

Mr. Rodriguez stated he would handle the Council's budget first with the caveat we could come back toward the end of the budget to make any adjustment the Council saw fit to make. He reviewed the Council's accomplishments for the 2009-10 fiscal year and proposed accomplishments for the 2010-11 fiscal year. For the current fiscal year we looked to the Council to spend about \$358,000. This next year they were allocated \$5.2 million (page 54 at the top summary). In the middle of that page, where it said Departmental Fund Sources, \$384,000 was basically the operating fund the Council would use for salaries, supplies, travel, and so forth. The other was a reserve and fund balance we always put into our budget as required by the State of Arizona. This totaled \$4.9 million. The budget was inflated because of the amounts in reserves which we were required to keep or would like to keep this fiscal year and into the future.

Council Member Kirby asked the source of these particular reserve funds.

Mr. Rodriguez stated reserves were monies not spent in the previous year, be they sales tax or other operating revenues accumulated and set in reserves. Some were required by the Council.

Council Member Elinski asked if this had been in last year's budget.

Mr. Rodriguez stated the way the budget was structured you had actual costs for 2008-09, then the budget as it was presented for the last fiscal year, and how we looked to finish out the year. Then there was the 2010-11 budget. This was what was proposed to the Council at this point. There were two years worth of history shown. The budget compared to what we planned to do and what was proposed for this fiscal year.

Council Member Smith asked if we actually had \$4.87 million in cash in reserves.

Mr. Rodriguez stated not necessarily. That was not cash we had but cash we hoped to have by the end of the fiscal year. This was a budget. These were all plans. Not necessarily because we showed there was \$4.8 million were we going to have that in the bank. It could be more, it could be less. It all depended on how the economy came in. These were reserves set aside for protection or other reasons such as what we had here for employee merit programs. If it didn't materialize, a lot of these reserves would disappear.

Council Member Smith stated he thought this was from the \$34 million from last year.

Mr. Rodriguez stated no. The \$34 million, we were talking expenditure side. If we wanted to talk revenue side those were on a whole separate sheet where we had all our revenue including carry forwards. We started with a lot larger carry forward than the \$4.8 million. We were going have to tap into it in order to make it through this year. All previously required reserves by the Council were fully funded this year: the 60-day fund, the 0.2 percent for public safety, the one percent capital improvement fund. Recreation center operations were projected at \$221,000 to help with the recreation center. Last year we had \$600,000 but revenues didn't come in and we ended up cutting that out. This one and the employee merit program were there as buffers. If everything came in as planned, we would have those monies available in December for the recreation center and employee merit plan. If money didn't come in as expected, then those were two areas that would be hit right off the bat.

Mayor Joens asked if the one percent construction sales tax was in a reserve used for roads and streets.

Mr. Rodriguez stated that changed this fiscal year. He had come to the Council to request all sales tax be drawn back into the General Fund in order for us to go ahead and have the money available. This year was it was still being kept in the General Fund and being doled to the different funds as they needed it. The construction tax had come back into the General Fund.

Mayor Joens stated it was still being used as the Council originally wanted because we were still

doing our streets.

Mr. Rodriguez stated it was not all going to HURF. It was in the General fund. It was being doled out to them as they needed it to get some of their projects done. If they needed more they would get more than the one percent sales tax; if less, it would be kept in the General Fund and used for regular operations and maintenance.

Administration

Mr. Bartosh reviewed the accomplishments during the 2009-10 fiscal year and the proposed accomplishments for fiscal year 2010-11 for the administration department which consisted of himself, his assistant, and the three general managers. He then reviewed the administration department's proposed budget which had been trimmed to the bare necessities but he had retained a \$10,000 contingency fund.

Mayor Joes asked if the natural resources position should be included.

Mr. Bartosh stated it was shown separately and had been separated several years ago.

City Clerk

Ms. Jiménez reviewed the accomplishments for her department during the 2009-10 fiscal year and the proposed accomplishments for fiscal year 2010-11.

Mayor Joens stated the budget would again be very lean. There would be no computers and software for agendas. She asked if Ms. Jiménez would try to upload the agenda and information prior to the meetings.

Ms. Jiménez stated she was working with I.T. to do that.

There was general discussion regarding the purging of documents stored in the archives and the agenda automation software that had been budgeted the past two fiscal years and not purchased due to budgetary cutbacks.

Legal

Mr. Horton reviewed the accomplishments for the legal department which consisted of himself and had been established in October of 2009, and reviewed his departmental budget for fiscal year 2010-11.

Mayor Joens stated \$600 for operating supplies was very lean.

Mr. Rodriguez stated Mr. Horton tele-commuted and that cut down on a lot of the paperwork. We had recently replaced a lot of our copiers with copier/scanners and we could run a lot of documents through the scanner and not have to mail them out.

Mayor Joens asked about books and those sorts of things.

Mr. Horton stated there was a budgeted amount for library which was probably conservative. With things computerized the way they were, he had discovered through his membership in the Arizona Bar Association he had access to a legal database. While not as good as Westlaw or LexisNexis, it was really all he needed. Here and in Flagstaff, which was a county seat, there were law libraries with lots of hard copy resources. When he was in private practice they paid over \$2,000 a month for a legal database subscription. He could do perfectly well without that. We had a copy of the Code booked to his department that we needed to keep current. He did not know what that subscription cost was. Then there was a Municipal Law Treteace that was sort of the encyclopedia of municipal law which was nice to have but wasn't absolutely essential. The only thing he worried about was if he let it go it would become outdated and would be enormously expensive to bring back up to date. It was a very valuable resource. It was those two things that comprised the line for other items. His travel and training budget was very, very lean. Hopefully, he would be able to move a little bit of money from the subscriptions budget into the travel and training budget.

Municipal Court

Judge LaSota reviewed the accomplishments for the municipal court for the past fiscal year and the budget for the next fiscal year.

Natural Resources

Mr. Bartosh stated Mr. Bob Hardy retired this year but continued to work through Smartworksplus. There was not a need to fill his position at this point. Mr. Hardy was working on water adequacy and regional issues that would impact our future water supplies. He would provide the Council with an executive session update this summer and would confirm that his actions were following the Council's direction. The costs were down by two-thirds. He was provided with travel expense reimbursement but otherwise worked out of Smartworksplus.

Mayor Joens stated she agreed the position did not need to be filled now.

Economic Development

Mr. Rooney stated he was a one-man operation but worked with a lot of organizations to support the City of Cottonwood. He then reviewed his budget for the next fiscal year.

Mayor Joens asked where she would see the Old Town Jail update.

Mr. Rooney stated she wouldn't. When he put this together it wasn't on the list.

Mayor Joens asked if we were not going to work on that this year.

Mr. Rooney stated we were.

Mr. Bartosh stated it would probably not go in this budget. It would go in the capital budget.

Mr. Rooney stated the wine industry was taking off and all kinds of activities were happening in Old Town. There were two new wine tasting rooms. A local foods and olive oil tasting place would be opening soon. They were looking at diversifying economic development in the city.

Engineering Services

Mr. Lueder stated this was a mid-year transition having engineering services come over under Development Services from Public Works. The Utility Engineer was brought on board last September.

Public Works

Mr. Rodriguez stated Public Works would be discussed at the next meeting because it could then be discussed together with street maintenance with which it was interconnected.

Planning & Zoning

Mr. Gehlert stated there had been a reorganization process of his department this year which had been downsized and his department had been greatly affected by it. They had been chopped into a variety of divisions and cast in different corners of the city structure. Economic Development was now under the City Manager, Building Safety was now under Engineering, Code Enforcement was now administered largely by the police department. What remained were himself, two planners, and a secretary. They had one additional position that was not filled currently, the planning technician job. As a result they had less budget requirements. Moving to a new building consolidated some expenses. No new programs were being requested this year and no additional personnel. Generally, they never had any capital expenses to speak of. He then reviewed his department's accomplishments for the past fiscal year and budget for fiscal year 2010-11.

Council Member Kirby asked how regional housing efforts were supposed to be implemented.

Mr. Gehlert stated this was part of a discussion process that had erupted from the Regional Housing Taskforce which was a rather informal assembly of regional planning staff and interested people in the Verde Valley who were concerned with the housing issues; establishing a more up-to-date housing study for the Verde Valley that would result in some recommendations for changes and improvements. We had a couple of different grant opportunities present themselves this year. We were in front of the Council requesting a \$2,000 contribution toward the match for it. We did not get the first grant. He believed the second one also fell down. Sedona had acted as the applicant for the first one. Clarkdale was the applicant the second time around. Neither came to fruition.

Mayor Joens asked why that would be.

Mr. Gehlert stated the funding on the first was yanked. The program just fell down. He had lost track of the second one. His understanding was it wasn't going though.

Building Maintenance

Mr. Lueder reviewed the building maintenance budget which he was now in charge of. He then reviewed the goals and accomplishments for the upcoming fiscal year.

Finance

Mr. Rodriguez stated one thing this year with the transparency issue was we would look at software, a global municipal software package that would be interactive. It would include not just finance but utility billing, permitting, park management, agendas. The biggest thing was the department was short-staffed. They were actually looking at a decrease in the budget and a lot of it had to do with that position that had not been filled.

Personnel

Mr. Rodriguez reviewed the many accomplishment the Human Resources Director, Iris Dobler, had accomplished during the past fiscal year. The city's Workman's Compensation modifier had gone down to 0.94 from 0.95, and she would continue working to try and get that number further down. The further down it was, the more we saved the city in Workman's Compensation premiums. He then reviewed the department's budget for fiscal year 2010-11.

Mayor Joens stated travel and training was really slim.

Mr. Rodriguez stated it was slim everywhere.

Mayor Joens stated she was sure he took into account everyone who had to have educational credits, like the City Attorney, to keep their licenses.

Mr. Rodriguez stated they were trying to restrict all training and travel to two items. One was for what was required for the board or commission someone served on, the other was to have sufficient funds to cover CPEs.

Information Technology

Mr. Rodriguez stated the Information Technology Department was a one man operation and that he hoped to add another staff member in the future. He reviewed the department's accomplishments for the past fiscal year and the proposed upcoming fiscal year's budget.

There was discussion regarding the installation of voiceover internet phones they were moving toward which would allow the city to network all of its phone systems.

Mayor Joens asked if we had enough band width to handle all that.

Mr. Kinney stated, yes. The maximum number of lines the system could handle was 24. If we wanted more, we'd have to add a PRI.

Mr. Bartosh stated Administrative Services was clearly an area they would have to look at, not only in terms of I.T., but doing things smarter. Most of our software and a lot of our hardware were far behind the times. It was something we would have to invest in. Another area we had to look at was getting a purchasing officer to put together bids.

Council Member Smith asked on funding outside agencies how one became a line item charity.

Mr. Rodriguez stated the Council made that call. He then asked the City Attorney if this could be discussed.

Mr. Horton stated to the extent this came within his departmental budget it could be talked about. It was on yesterday's agenda and not today's. He was a little anxious about getting too far in depth into this.

Council Member Smith asked how could he go back and ask questions that came up.

Mr. Horton stated we had them on the agenda. As long as it was posted for discussion by the Council, it could be discussed. It had to be on a posted agenda.

Council Member Smith stated this was on the budget itself.

Mr. Rodriguez stated the items he was talking about were on the Council's budget which had been discussed earlier. Yesterday's slides explained those items and how we broke them up. Such things as the Old Town Association, if we didn't have them, the City of Cottonwood would probably have to develop a program through economic development. It was the same thing with the Senior Center, Humane Society, and so forth. At one time the previous administration thought that helping out the veterans with transportation was something the city should be providing in some form or fashion, seeing that we already had a transit system. That was how the Veterans Van came on. It wasn't this administration that put it into play; it was the previous administration that put it together.

Council Member Smith stated he was still upset about this. If the Veterans Van was a 501(c)(3) he would have absolutely no problem. He felt that if he or somebody looked at the budget that said "American Legion: \$2,500", it was going to the American Legion. It wasn't. It was going to the Veteran Van. He felt we were hiding something. He was not blaming Mr. Rodriguez. If we were going to give it to the Veterans Van, give it to the Veterans Van.

Mr. Rodriguez stated for the upcoming budget we had that as a line item. When we did the wrap up on the proposed budget Council Member Smith could go ahead and speak his mind then, because that was when we discussed all the other things openly.

Mayor Joens stated once the Council, as a group, as a majority, made something a line item,

they as a group had to take it off.

Council Member Elinski stated it had come up in discussion. He too had felt it wasn't a line item, but he had been corrected.

Mayor Joens stated the fact was we had many line items that were similar. We gave to the Missoula School. We could say that was not the right thing to do. We gave to the Verde River Days. We gave to the Birding Festival. Those didn't quite fit in the little compact policy that they had. There were different things that they funded. The Council had made those decisions.

Mr. Horton stated when we were talking about funding outside agencies as a subject he was a little nervous because it wasn't on the list of things on the agenda. The whole concept of funding outside agencies as a recent Arizona Supreme Court decision provided new guidance. Even though we were talking very modest amounts relative to the kinds of money getting spent in other parts of the state, there was active discussion among the municipal bar around the state about how to go about doing this in light of the decision, and steering clear of the line in terms of the public purpose and a fair return requirements of an old case that the Supreme Court turned to when appeals went in kind of a different direction. The Supreme Court kind of reigned them back in. The trend seemed to be for having written agreements, with expectations, deliverable milestones for these fundings and activities. That could be part of the discussion.

Council Member Smith stated he was wondering why we had all these discussions earlier on them not being 501(c)(3) and telling them they had to get documentation. They never got it.

Mr. Rodriguez stated the City appreciated that Council Member Smith had brought this up. It was something that was being looked into. He was sure it would be taken care of and this discussion would end.

Mr. Horton stated as the designated purpose of the expenditure and the expectations were for a valid municipal purpose to fund transportation services for this particular population, he was not uncomfortable with that decision.

Council Member Smith stated what he didn't get about it was we were saying we were passing it through for the Veterans Van. The Veterans Van was a for-profit organization.

Mayor Joens stated they did not make a profit.

Mr. Rodriguez stated we were passing it through for transportation and for veterans. If they decided to go ahead and pay for taxi cabs, that was up to the American Legion, provided they gave it for a veteran's benefit. We were not asking them to specifically go with the Veterans Van. We were giving to them for veterans' transportation.

Mr. Horton stated that was exactly right. It was not lost on them that we thought the Veteran Van was not truly a for-profit but they just kind of fumbled their paperwork. Even though they were incorporated as an L.L.C., if you read their articles, one of their articles said their purposes did not include making a profit. In his view that would not be ignored by a court if this issue were

somehow framed and placed before a court. He was perfectly comfortable with the lawfulness of the action.

ADJOURNMENT

Mayor Joens moved to adjourn. Council Member Norman seconded the motion, which carried unanimously. The budget work session adjourned at 4:20 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 26, 2010. I further certify that the meeting was duly called, and that a quorum was present.

Richard Smith, Deputy Clerk

Date