

MINUTES OF THE SPECIAL WORK SESSION OF THE CITY COUNCIL OF THE CITY OF COTTONWOOD, ARIZONA, HELD MARCH 22, 2012, 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 regular meeting to order at 5:30 p.m. Roll call was taken as follows:

COUNCIL MEMBERS PRESENT

Diane Joens, Mayor
Karen Pfeifer, Vice Mayor
Jesse Dowling, Council Member
Tim Elinski, Council Member
Ruben Jauregui, Council Member
Linda Norman, Council Member
Terence Pratt, Council Member

STAFF MEMBERS PRESENT

Doug Bartosh, City Manager
Matthew McLean, Deputy Clerk
Steve Horton, City Attorney
Rudy Rodriguez, Administrative Services General Manager
Carol Brown, Budget Analyst

UPDATE AND REQUEST FOR DIRECTION REGARDING THE COMPILATION OF THE CITY'S FISCAL YEAR 2013 BUDGET

Mr. Rodriguez presented a fiscal year 2012 budget update and goal setting for fiscal year 2013.

Local Sales Tax

The local sales tax was budgeted at \$7,834,070 and revised to \$8,410,045, which was up 7.4 percent over the original budget and up 3.6 percent over last fiscal year. We shifted sales tax from all funds back to the general fund. For fiscal year 2013 we are projecting \$8,496,955 which is up 1 percent over the current year. He compared the local sales tax from 2009 to 2011. Between 2010 and 2011, local sales tax dropped by 1.47 percent, but the general trends tend to be going up.

State Shared Sales Taxes

The state shared revenues for fiscal year 2012 came in at \$863,590 and fiscal year 2013 is estimated at \$941,980. The state shared sales tax revenues are up 8.17 percent between 2010 and 2011.

State Shared Income Tax

The state shared income tax for fiscal year 2012 was budgeted at \$950,815. For fiscal year 2013 they have budgeted \$1,150,590, or a 21 percent increase.

Vehicle Sales in Cottonwood

Vehicle sales in Cottonwood have increased by 15.03 percent from 2010 to 2011.

1percent Construction Sales Tax

The Construction Sales Tax revenue is budgeted at fiscal year 2013 for \$214,415 and that money is dedicated to street improvements.

One Percent Sales Tax Distribution

The one percent Sales Tax Distribution will be used to help pay off the debt service for the recreational center, support the general fund, and we may have to revisit to help fund the HURF and capital facilities.

Personnel Information

Health insurance costs continue to rise and for fiscal year 2013 there is a five percent increase to \$1,732,943. Worker's compensation is rising to \$193,030 for fiscal year 2013 from \$187,406 for fiscal year 2012, which could go up again after the compensation study is complete. The Arizona State Retirement is rising by 11.15 percent.

Mayor Joens stated a large percent of money comes out of the employee's check.

Mr. Rodriguez stated there are things that drive those things. Of course investments aren't what they were 10 years ago and more people are retiring. Last year there was a 53/47 split and it looks like the cities are going to have to reimburse the employees for that extra 3 percent the employees had to pay, which will be about \$25,000 back to employees. We will be taking care of that the last payroll for this fiscal year.

Mayor Joens stated more of that great unneeded legislation.

Mr. Rodriguez stated the public safety retirement system is rising as well. We have set aside \$600,000 in the budget for the implementation of a compensation study. We don't know where we will be after the compensation study, but we have set aside \$600,000 for the implementation of the study.

Critical Areas

It is another lean year but a stable budget year. We are seeing growth from the state, but

not much from our local economy. We will continue to have a balanced budget. We are trying to avoid new or additional taxes and maintain our fiscal integrity and comply with all bond covenants. This year we have started a water rate committee and they are looking at a lot of information, and we will be coming to council before the budget is finalized to discuss water rates. We are also trying to maintain current levels of services and protect staffing as best as possible. It costs us a \$1.5 million a year to fund the debt service on the recreation center, and we have about 20 years left to pay it off. The recreation center has been having a bit of a struggle and we have had to put money into it to clean it up.

Council Member Pratt asked if the biggest costs are primarily utilities.

Mr. Rodriguez stated staff is probably their biggest one.

Council Member Pratt stated we will be saving money with the solar installation.

Mr. Rodriguez stated we will save money with the solar, but a lot of the equipment in the center is out of warranty and we will need to start replacing it. We are trying to protect city staff in order to maintain current level of services as a priority, and a merit program is budgeted, but there is no cost of living adjustment. The compensation study RFP is almost ready to be released with \$600,000 currently budgeted to cover the full cost of implementation on July 1, 2012.

Council Member Elinski asked if the \$600,000 will cover where the employees should be paid.

Mr. Rodriguez stated it is a shot in the dark and he really has no clue. We wanted to make sure we had the resources to implement it. His philosophy is that we fund it fully, or we just don't fund it. There are still frozen positions and increasing costs in health care and retirement.

Mr. Rodriguez continued, stating our Fund Balance Reserve is currently \$2,161,880 which is 60 day coverage. Our Capital Accumulation Reserve is still a \$1,000,000 and we like to keep it that way. Our public safety capital reserve is \$279,095 and the general fund capital facilities at \$777,240. Our library, Railroad Wash improvements, and public safety building will be paid off on July 1, 2013.

Mayor Joens asked why we spent that amount of money on Railroad Wash when we have a deal with the county.

Mr. Rodriguez stated the county didn't have the resources available and we needed to get it done right away.

Mayor Joens our district has paid in a lot of money into that fund and we should do everything we can to get that money back for our citizens.

Mr. Rodriguez stated there is still some work that needs to be done on Railroad Wash.

Mr. Rodriguez continued, stating the debt service payoffs will give us \$530,700 for fiscal year 2014. Our sales tax reimbursement commitment will be ending on November 2015, and we have paid \$1.3 million so far.

Mr. Rodriguez then went over the budget meeting calendar. The budget work sessions will be held the week of May 21, 2012.

Mayor Joens stated she likes when the Council is here for the budget work sessions and asked the Council if there was any conflicts with that week.

Council Member Jauregui stated he had a problem with meeting before 5:00 p.m.

The consensus of the Council was to meet that week starting at 5:00 p.m.

ADJOURNMENT

Mayor Joens moved to adjourn the meeting. The motion was seconded by Council Member Norman and carried unanimously.

The regular meeting adjourned at 6:15 p.m.

Diane Joens, Mayor

ATTEST:

Matthew McLean, Deputy Clerk

CERTIFICATION OF MINUTES

I hereby certify that the attached is a true and correct copy of the minutes of a special work session of the City Council and the Planning and Zoning Commission of the City of Cottonwood held on March 22, 2012. I further certify that the meeting was duly called, and that a quorum was present.

Matthew McLean, Deputy Clerk

Date