

MINUTES OF THE WORK SESSION OF THE CITY COUNCIL OF THE CITY OF COTTONWOOD, ARIZONA, HELD APRIL 9, 2013, AT 6:00 P.M., AT THE CITY COUNCIL CHAMBERS BUILDING, 826 NORTH MAIN STREET, COTTONWOOD, ARIZONA.

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CALL TO ORDER AND ROLL CALL

Mayor Joens called the work session to order at 6:00 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  
Steve Horton, City Attorney  
Matt McLean, Deputy Clerk  
Rudy Rodriguez, Administrative Services General Manager  
Dan Lueder, Development Services General Manager  
Casey Rooney, Economic Development Director  
Richard Faust, Community Services General Manager

UPDATE REGARDING THE CITY'S PROPOSED BRANDING PROJECT

Casey Rooney, Economic Development Director, introduced Scott Havice from Havice Designs who would be giving a presentation on branding the city. Mr. Havice had been working with several local organizations on branding. He did not want any decision tonight, but just wanted to educate the council on branding and where we were going with this with the city. We had partners in this with the Chamber, Old Town Association, and CEDC.

Mr. Havice reviewed his branding experience with local businesses. He then gave a presentation to the Council about the branding process which he explained is what you do and what people think you do. Where they meet is good branding in getting your message out and what you are telling people is what they believe about you. One of the key elements about branding something is that people's lives are very complicated and your audience has other things to worry about, so your job as a communicator is to keep it simple. Really good branding is simple and impactful, which are the keys. People think branding is a logo and that is not what branding is. A logo is part of branding—it's your identity, but branding itself is a touch point that you have with a potential audience. You have three objectives in your

branding process: define your audience, create a unified message and statement, and uniformity.

After discussion regarding the branding process, Mr. Rooney stated he will be bringing the contract for approval at a later regular meeting.

### **UPDATE ON THE FINANCIAL STATUS OF THE CITY**

Rudy Rodriguez, Administrative Services General Manager, stated every year about this time of year we give the council an idea of where we are with our revenues and some of the issues we are going to face with next year's budget. The local sales tax, which was a little over 50 percent of our general fund, was slightly over 8 million. For next fiscal year he was projecting about 8.4 million. Sales tax from all funds was going to the general fund. As of July 1 we will extinguish several GADA loans that we had for the public safety building and the Railroad Wash project which was about \$372,000, and the library loan that was \$158,000. That would not be calculated into the general fund as far as expenditures because we have some debt load we had to take on to cover the cost for the Mingus Avenue project that was recently completed, and the 12th Street project that was about 3.5 million which would have to be bonded.

Mr. Rodriguez then reviewed the city's revenues as follows:

- Over the last three years the local sales tax has not grown very much and we were only looking at about a \$400,000 increase.
- State shared sales tax was budgeted for fiscal year 2013 at \$941,000 and he had to revise it to \$915,000, which was a 2.8 decrease from the estimate. For 2014 they were estimating the shared tax to be \$973,000 and will budget the entire amount this year and hopefully that state was correct with their projections. We still had a ways to go to be where we were in 2007-08.
- The State shared income tax was budgeted in 2013 at \$1,150,590 which was on target. This was based on income taxes collected two year prior. The 2014 preliminary estimates were at \$1,256,779 and were up by 9.2 percent, which was up by \$106,189 from fiscal year 2013.
- The city's 1 percent construction sales tax was being estimated at about \$125,000 for fiscal year 2014. It was not doing as well as it had a few years back, but was expecting an increase this coming year. This money was dedicated to street improvements.
- In 2007 the 1 percent sales tax was extended and redistributed to the recreation center, the general fund, and general government facilities. For this coming year he was estimating the 1 percent to be about 3.6 million. The recreation center took the majority of it at 2.3 million (debt service in the amount of \$1,542,275 and operations and maintenance in the amount of \$783,539) and the general fund got about 1 million for continued operations. We traditionally try to set aside a portion of it for government facilities, but a lot was going into operations.

Mr. Rodriguez reviewed personnel issues as follows:

- Health insurance costs continued to increase and we were looking at about a 6.5 increase the next fiscal year. The city pays the dependent health care coverage and the more people we hire that have families costs the city more.
- Workers Compensation costs were estimated to drop slightly.
- The Arizona State Retirement System and Public Safety Personnel Retirement Systems were expected to grow over the next several years because they were grossly underfunded.

Mr. Rodriguez stated next budget year was going to be another tough but stable budget year. The economy seemed to be improving and we would be playing catch-up on some items. We would have a balanced budget, avoid any new or additional taxes, and maintain our fiscal integrity. We were not meeting our bond covenants for the second year in a row so there were issues we would have to deal with. We also wanted to maintain our current level of services, which we have done in the past at the cost of shifting a lot of our sales tax to maintain our services. At some point we would have to start replenishing our fund balance and reserves.

Council Member Elinski stated he would like to have some sort of conversation on property tax. He was not talking about a new tax, but if there was any way we could sunset some of our sales tax or lower our sales tax and implement a property tax as a way to create a more stable base for the city.

Mayor Joens stated we provide services to people who don't live in the city so you put more burden on the people that live in the city and give the people that live outside the city a break and that just doesn't work.

Mr. Rodriguez state that was something they could look at if the council wished in the upcoming year. Right now he thought it would be too late and it was something that had to go to the voters.

Council Member Elinski stated he was talking about in the future. We are going to have another recession and we were white knuckled for years wondering how we were going to make things work and luckily we did because we had a stable city and good structure. A property tax would be a great way to have a stable revenue stream for the city. He was not talking about a huge property tax, just something we could rely on that was more stable.

Council Member Pratt stated we are providing service to people outside the city who help support us for those services through sales tax. That would be his issue too; we are putting added burden on just the city residents.

Mr. Bartosh stated another perspective was a lot of people agreed about the stability of a property tax, but with this last housing crash people were rethinking that because we are seeing sales tax recover a lot quicker than the property tax.

Mr. Rodriguez continued the revenue update as follows:

- Since we opened the recreation center we have been hit with sizeable losses every single year. Their costs were going up but the revenue stream was starting to slip a bit. We were estimating to do about 54 percent recover and next year looking at as low as 49 percent unless we do something with the fees. The costs were going to keep going up.
- When we put the budget together one of the first things we try to do is protect our most valuable asset and that's our personnel. This current fiscal year we approved and funded a compensation study and were still looking at funding the merit program and a 1.7 percent cost of living adjustment this year. We haven't put together a longevity plan which would be coming soon to the council to review. The longevity plan was part of the compensation study.
- Regarding the general fund fiscal policy, it was still in place. We are going to fully fund our reserve fund balances equal to about 60 days of expenditures. We also keep about 1 million in our capital accumulation reserve. We were supposed to put 2.7 percent from previous year's operating revenue into the CAR; we have not done that. We still maintain it frozen at 1 million which was a decision the council made some time back. When the economy gets better we would like to go ahead and start putting 2.67 percent back in for capital projects. This particular fund came in handy a few years ago when the senior center was re-building their current facility. Besides the city's CDBG money the city contributed an additional \$300,000 out of this fund to help them out. The public safety reserve right now was zero because we have taken on so much debt load from our lease purchasing. He wanted to mention that this coming year we were going to try and avoid lease purchasing anything for public safety so we could put some money back into reserves.
- Regarding the debt service payoffs, we were going to have about \$530,000 available which would be set aside to use that to leverage about 6 million future debt service payments, most of which will probably go into street projects that we have planned.
- The sales tax reimbursement agreement will be disappearing the next couple of years, which fluctuated between \$100,000-\$200,000 a year. This was for the street that was built for Wal-Mart.

Council Member Jauregui announced he was leaving the meeting at 7:25 pm.

#### **DIRECTION REGARDING THE 10TH STREET RECONSTRUCTION PROJECT FROM MAIN STREET TO MINGUS AVENUE**

Mr. Scott stated the Community Block grant was originally for \$320,000, but that amount has been dropped down to \$270,000. Part of that \$270,000 goes to state fees and NACOG fees and the city will have around \$230,000 for this project. The city has budgeted another \$50,000 towards the design of the project. The city will have to cover a large portion of this project. This project covers 10th Street from Mingus Avenue to Main Street. Staff held the first public meeting more than a year ago and held another public meeting recently. Shepard Westnitzer is the design engineer on the project. They have about 90 percent

plans. The road is a city standard road with vertical curb, gutter, sidewalks and bike lanes. The sidewalks will be five foot wide, because a six foot wide sidewalk would require utility pole relocation and it would have gotten very expensive very quickly. The biggest thing that came out of the public meeting was that they asked for street lights. The Chief of Police is in favor of more street lights. Due to cost and timing we may not put the street lights in with the project. That may be something we come back with in subsequent years. We will make sure if we need to use conduit for the future we will work with APS on that. At the public meeting that was held on March 20, citizens were concerned about where driveways were going and that we make sure there is enough conduit under the road so we don't have to tear it up in the near future. Council has a five year moratorium that says we won't tear up that asphalt for five years. The public was concerned about the school traffic that goes through there. The original engineering cost estimate was \$566,000 and we were able to cut that back by going through line by line. Staff was able to reduce the roadway by \$45,000. The total non-utility cost of the project will be about \$390,000. We might also consider not striping it with the construction but bringing our own striping contractor in which will save a little bit of money.

Mr. Lueder stated the Council originally wanted the reclaimed water line included in this project. This is kind of a transition area because we are going to have reclaimed at Riverfront Park and we are also going to have reclaimed on Mingus. The cost of doing the reclaimed in this project is estimated to be \$102,000. The chances of us using this on a regular basis are severely limited. We don't have any large users between Mingus and Main Street, and about the only time we would use it is if we wanted to use the reclaimed loop on Mingus down to Riverfront Park or back up. The cost benefit of spending this \$102,000 is really not there. If we had a large user at the end of the street that was going to use this water that would be one thing, but the \$102,000 will cover Mingus to Main Street and then we would need to finish it from Main Street down into Riverfront Park.

Council Member Elinski stated he would like to see it there and reclaimed will be one our assets in the future and we might kick ourselves in the future if we don't have the infrastructure to move it around efficiently.

Mr. Lueder stated he would agree with Council Member Elinski if we weren't building the plant at Riverfront Park. If we wanted to irrigate up to the Roughcut area, we can bring that up out of the Park. If Council wishes us to put it in, we have no problem with that, but what we look at operationally is if we have a user in there that gives us a benefit for the cost of putting this there.

Mayor Joens asked if he thought about in 50 years say the whole area is redeveloped.

Mr. Lueder stated in 50 years the road will be torn up and we can do it then.

Council Member Elinski we can make it available for the fire hydrants instead of potable water.

Mr. Lueder stated we are designing this roadway for 25 to 30 years of life. We have a moratorium of five years. The cost benefit from a utility perspective doesn't add up. We just don't feel like it is the right time for this. He also looked at having staff install the 8 inch PVC pipe for the waterline in-house to cut costs too. That line will be done even before the project starts. All we are doing is replacing a 4 inch with an 8 inch.

Mayor Joens stated she likes the sidewalks, the bicycle paths, and it will make a nice neighborhood street. She asked how we consider a possible roundabout at 10th and Main.

Mr. Scott stated this design does not take into consideration that improvement because that will require substantial right-of-way, so we may have to remove that very end when we try and improve that intersection.

The Council was happy with the plan and saving the \$130,000 for something that we really need and are happy with the five feet wide sidewalk.

#### **DIRECTION TO STAFF REGARDING SETTING THE CITY'S STREET PROJECT CONSTRUCTION PRIORITY LIST**

The Council tabled this item until a future work session.

#### **UPDATE ON OLD TOWN JAIL PARKING LOT**

Mr. Lueder stated based on the previous meeting with the Council, staff adjusted the plan. He then went over the previous plan with the Council. Staff found out that the Cottonwood Ditch runs through part of the planned parking lot. When they started looking at building the retaining wall to have additional spaces, they projected that would cost an additional \$100,000 to do that. Staff restricted the plan to remove the retaining wall and some of the parking spaces on the east side and have more open area there. We will lose 10 or 12 parking spots. Staff has finalized this plan and would like to go out for bid.

Mayor Joens asked if we plant trees in that open area will it mess with the Cottonwood Ditch.

Mr. Lueder stated it is down about eight and half to nine feet and we will build it up another two feet, so we will have about 10 to eleven feet of cover over the ditch.

Council Member Pratt asked how many parking places we will have now.

Mr. Lueder counted the spaces on the plan and come up with 42 spaces.

Council Member Elinski asked if the area we are gaining is going to be more sloped.

Mr. Lueder stated as long as we are not parking cars on it we can do a gradual slope out.

Council Member Elinski asked if we will be able to put picnic benches there.

Mr. Lueder stated we can.

Council Member Elinski asked since we aren't spending the money on asphalt in that area, if we could dress up the sidewalk that leads from the street towards the trail with pavers or something that would give it a clear path to the river.

Mr. Lueder stated with this project there will be a substantial amount of signage. We have to be careful of the two spaces next to the tea room, which one is a handicap space that is required by law.

Council Member Dowling stated we should use a crosswalk across the parking lot so that doesn't interfere with those two parking spaces.

Council Member Elinski stated his main point is to draw foot traffic to the river and make an entry point to the Jail Trail.

Mr. Bartosh stated in terms of the amenities, he took a trip out to San Diego and they stayed in Yuma that was right near the river. Yuma did a really nice job of creating a real nice park next to the river with storyboards and just some really nice stuff.

Mr. Lueder stated if we can include this current stretch and then we can take our time in moving some of these lights, so we can start designing the pedestrian parkway.

Council Member Elinski asked when we could start work on the pedestrian walkway.

Mr. Lueder stated it is part of the new budget. He asked if Council would like a special meeting to approve this or wait until May 7.

The Council agreed to have a special meeting to move forward with the item.

**DIRECTION TO STAFF REGARDING THE GOALS TO INCREASE REVENUES AT THE COTTONWOOD RECREATION CENTER AND REDUCING EXPENDITURE COSTS TO REACH COST RECOVERY GOALS FOR THE CENTER**

Mr. Faust stated staff was looking for direction on whether or not to continue the discounts at the Cottonwood Recreation Center. They are getting ready to start the annual push for renewal of memberships at the recreation center. We are not meeting the cost recovery areas that we wanted to meet according to the feasibility study. We were trying to meet 60-70 percent recovery rate. The recreation center has approximately 4,600 members, which about 3,200 are active. Every year in April and May we do a membership drive to try and gain new members. We want to eliminate the discount programs in order to gain back on cost recovery. We would still operate the financial assistance program. We are currently at about 44-46 percent cost recovery rate.

Council Member Elinski asked what if you raised prices across the board by 5 percent and then offer everyone that renews before May to save 5 percent before the price goes up.

Mr. Faust stated they have looked at that and that is something they could do. They are looking to eliminate the discounts, keep silver sneakers going, keep the financial assistance, and inform everyone across the board that we have a lot of ramifications that are coming at us and we are trying to recover 60 percent.

Council Member Elinski stated we have a bad history of dragging our feet on price increases and we have seen it trending down away from our cost recovery goals and we are still dragging our feet on raising prices. We are looking at other options to meet our recovery goals but why should we wait in prepping them for the evitable price increases, why don't we start having the conversation with public right now.

Council Member Pratt stated he agrees with removing the discounts. For what we get we are practically giving it away. People need to be informed of that early on and we can't hit them with it right away.

Mr. Faust stated they would be willing to give up the Recreation Manager Position to assist with the cost recovery. Hezekiah Allen and Ryan Bigelow will take over the majority of the duties for the former position. Staff would like to raise their salaries by about \$8,000 each. They would also like to create a new position, Recreation Coordinator, underneath Hezekiah to reduce some of the tasks of the managers. If we charged our fees according to the 2009 study our cost recovery rate would be about 64 percent. With the solar panel installation, we will have a 1 to 1.5 percent savings. With the elimination of the Recreation Manager Position we will have close to 4 percent. They would also look at reducing indoor pool hours, since it is not used sometimes at night. If Council gives staff direction, staff can close the indoor pool more often. To increase revenues, staff would recommend cutting the discounts and increase membership fees. Staff would also like to eliminate the banquet hall no charge rate. In 2011 there was expenditure for the free use of the banquet hall of approximately \$25,238, in 2012 we had \$34,000, and in 2013 we are probably right on schedule for another \$34,000 to \$35,000 that we are giving away. We have a lot of events that the Council does that the rec center does not charge for.

Mayor Joens disagreed with this and wondered where they would hold those meetings.

Council Member Elinski agreed with Mayor Joens since the City doesn't have a building where they can hold meetings like that. He thinks having a meeting at the rec center for city meetings showcases the rec center and is marketing it. He also wondered how often this happens at the rec center.

Mr. Bigelow stated that is not necessarily the Council's fault. One of the bigger issues is for instance Little League held their draft there for free the other night. They didn't pay anything to use the facility. Staff is asking for direction on will that type of community meeting be allowed or do we want to put a stop to that and say that cost recovery is our primary focus.

Mr. Faust stated other government entities have requested to use the facility and staff has tried to help where they could.

Council Member Pratt asked how much does it cost us to allow those meetings to take place.

Mr. Faust stated probably not that much since the recreation center would be open anyway. In reality he believes there are people that are using names also to try and get a free room.

Council Member Elinski stated there should be some sort of policy about who gets in for free and who doesn't. If it is a city sanctioned event or includes the Mayor then we might have it for free until we have a new city hall that can offer that space.

Mayor Joens stated one of our parks and recreation commission members didn't like the League of Women voters using the facility for free for the candidate forum, but that is a benefit for the public. She asked the Council what they should do with that.

The Council was in agreement that a policy should be established in regards to using the meeting rooms for free.

Mr. Rodriguez stated he thinks the Council is trying to bite off too much at once. The more immediate issue is we are coming up on May when they start offering the discounts and staff was asking if they could eliminate those discounts and then we can start talking about raising fees next budget year. Right now the discount day is coming up and staff would like to eliminate that and they would like to get a notice out that this year that there will not be discounts on top of discounts. We won't be able to have a new policy in place within 45 to 60 days but we can certainly start working towards it.

Council Member Pratt stated he thinks we should eliminate the discounts right away.

Council Member Elinski stated he agrees whole-heartedly, but we need to have an ongoing discussion for a plan to increase the rates.

Vice Mayor Pfeifer stated she thinks we can still work on a policy in the meantime and we can prepare it any time during the year and it doesn't have to be during the budget.

Council Member Dowling asked if there was a study about raising the rates and an increase in memberships dropping or if we lowered the rate and saw an increase in memberships so we would gain in the end.

Mr. Faust stated we really don't know. He cited Cortez is raising their rates now and they had plenty of advertising that they were going to do that. They raised their rates by 4 percent. They really compounded on using the increase to maintain equipment and purchase new equipment. We haven't heard that they have had any decline in their membership.

Council Member Dowling stated the trick is to increase membership and the easiest way to do that is to lower the rate and if there was something that wasn't such a hit to the rate that would encourage people to bring a friend, such as a discount for encouraging people to sign up.

Mr. Faust stated we have discussed that, but statewide nobody does it.

Council Member Pratt stated he talks to a lot of people that go there and they tell him what a great deal it is. If we had public information out there ahead of time that we are going to have to raise rates, the reasons, and list examples, he bets we would lose a minimal amount of memberships.

Mr. Bartosh stated it really has to do with the amount of the increase.

Council Member Pratt stated he would pay \$25 bucks more for his wife and him. We need to let the public know about it before hand.

Mr. Faust stated we were thinking about starting to discuss raising the rates in January and then in July 2014 we will raise the rates.

Council Member Pratt stated there is so many justifications for raising the rates and we really have been giving it away.

Mr. Faust stated what he is hearing is we will be striving for new members in 2013, we eliminate the recreation manager position and our hope with Council as well as the City Manager would be that we increase the job responsibilities to the two individuals that are currently in those positions that know the recreation center. They have been there for three years, they have been doing the job really good, and really stepped up incredibly. He has been pretty impressed with their abilities over the last three to four months. They still continue to do what they need to do and that's the main thing. We can instrumentally continue and we can actually do good or better. The solar panels, the review of the recreation center hours, increasing the banquet facilities by \$10.00, increasing the memberships by July 2014, is what our plan is. That is what they are requesting direction on from Council.

Council Member Pratt stated that is a good direction to go and all those things combined will help us to raise our recovery rates.

Mayor Joens stated and that is what we need to do.

Mr. Faust stated we had hoped for better and we will continue to look at options that are available, like looking at the pool and cutting back on those hours. The only way will find out if we save is time will tell.

Mayor Joens stated there is a community value to allowing some organizations use the recreation center meeting room, such as the League of Women Voters and the Little League.

Council Member Pratt stated he doesn't think it costs that much since there isn't an expense.

Mayor Joens stated it just wouldn't be right. The recreation center is being kept in great shape and not being run down and complimented the staff on their work. It is a source of community pride. She wouldn't trade anything about it and it has added to our community tremendously.

Mr. Bartosh stated it is important to point out that the recession has had a large role in the difficulties with this.

**ADJOURNMENT**

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

The work session adjourned at 9:06 p.m.

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Diane Joens, Mayor

ATTEST:

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Matthew McLean, 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 April 9, 2013. I further certify that the meeting was duly called, and that a quorum was present.

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Matthew McLean, Deputy Clerk

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Date