

MINUTES OF THE BUDGET WORK SESSION OF THE CITY COUNCIL OF THE CITY OF COTTONWOOD, ARIZONA, HELD JUNE 13, 2011, HELD IMMEDIATELY FOLLOWING THE SPECIAL MEETING 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 2:30 p.m.

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

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| Doug Bartosh, City Manager | Mike Casson, Fire Chief |
| Steve Horton, City Attorney | Jody Fanning, Police Chief |
| Marianne Jiménez, City Clerk | |
| Rudy Rodriguez, Administrative Services General Manager | |
| Dan Lueder, Development Services General Manager | |
| Richard Faust, Community Services General Manager | |

DEPARTMENTAL BUDGETS—FIRE, POLICE, ANIMAL CONTROL, COMMUNICATIONS, LIBRARY, PARKS & RECREATION, RECREATION CENTER, CEMETERY, POOL, CUSTODIAL.

Fire Chief Mike Casson reviewed the Fire Department's accomplishments for the current fiscal year and its goals and proposed budget for fiscal year 2011-12.

Police Chief Jody Fanning, reviewed the accomplishments for the Police Department, Animal Control, and Communications Department for the current fiscal year and the departmental budgets for fiscal year 2011-12.

Richard Faust, Community Services General Manager, reviewed the accomplishments for the following departments: Parks and Recreation, Recreation Center, pool, and Library. He then reviewed the proposed 2011-12 budgets for each department.

Mr. Rodriguez reviewed the cemetery budget which the city spent a little over \$25,000 a year to maintain. Custodial services were on a contract basis and there was a \$20,000 increase from the current fiscal year, excluding the recreation center, to service all city buildings. They were going to evaluate some of these buildings and try to trim some of them

down. This number may come down a little bit more and by the tentative budget they should have a more firm number, but it would be less than \$132,000.

FUNDING OF OUTSIDE AGENCIES THAT PROVIDE CORE SERVICES

Representatives from the following agencies that provide core services within the city which the city provided funding to reviewed the services their respective agencies provided to the community: Dr. Dawn Hunsberger representing the Verde Valley Humane Society; Lisa Pender, representing the Old Town Association; Camille Severson representing the Veterans Van; Carol Quasula, representing Catholic Charities; and Elaine Bremner, representing the Verde Valley Senior Center.

BUDGET WRAP-UP

Mayor Joens stated she would like to talk about the Youth Commission whose \$5,000 budget was cut down to \$2,500 this fiscal year. What she saw was that wasn't quite enough to get them through the year.

Mr. Faust indicated they had done fundraisers, but he would have to check with Jason who oversaw the commission as to their status.

Mr. Rodriguez stated he would talk to Doug about it and bring it back at the adoption of the tentative budget and if they needed to increase it they could do so at that time.

Mr. Rodriguez continued with the wrap-up and stated he had mentioned during the course of the budget meetings that the Public Works/Utility Maintenance Specialist had a budgeted amount of \$79,000, which was a position they were working on by eliminating one of the frozen positions permanently and replacing it with this one. This individual would be working on a lot of the mechanical issues for the public works, streets, and utility departments and the costs for this staff member would be distributed amongst these departments.

The Public Works Parks and Buildings Maintenance Manager was encompassing both street maintenance, public works and so forth, following the retirement of the street superintendant. His salary was increased, but staff neglected to bring to the Council the name change for the position. There was no additional money budgeted for the position.

Mayor Joens questioned if the range increased for the position, and Mr. Rodriguez stated it did from a 32 to a 40 because of the large responsibility of taking over the streets program.

Mr. Rodriguez stated the next item was a stipend for paramedics. In the past the city limited the number of paramedics it would pay for. They had the firefighter pay and then they received \$4,500 a year stipend for getting and keeping their certification. They limited the number to 12 and would like to increase it to 16. That would be an additional \$18,000 a year, but the service they provide back to the city was quite a bit, which would be coming out of the Council's undesignated reserves.

The city-wide contract for cleaning the recreation center fee costs were about \$88,000 a year. On occasion they go up a little bit more when they have more events going on and have to bring in the cleaning crew to clean up the place.

Municipal Information System was new software in the amount of \$300,000 for a new accounting package, new utility billing package, business licensing, and planning and zoning permitting program. We did not have the cash available for this and he would like to borrow the money from ourselves and look at several leasing options both from the companies that they have available and find some sort of financing mechanism and find out what a good interest rate would be and borrow it from our capital improvements fund and pay it back. One of the reasons he wanted to this was he did not want this to be a burden on the capital fund.

Eliminating the water system refinancing of \$33,690,000. One of the biggest reasons was the downgrading by Moody's and the issues we had with our rate structure. We talked about that we were going to postpone until the July and August time frame to implement it around the first of October if the Council sees fit. In talking to our bond counsel their recommendation is get back where we are supposed to get, 135 minimum, and it might take two or possibly three years before we get our rating back. In the meantime, he could not see going out trying to borrow money at a higher interest rate than what we had right now even though he would like to separate from Clarkdale. Rather than trying to find some financing for this he would like to spend some time on getting our credit rating up and meeting our bond covenant and concentrating on a couple of other issues. One was we still had some wastewater improvements we need to do; Highway 260 both water and sewer lines down Highway 260 to open up that commercial area which might require some sort of financing with the bank. Also funding the Mingus Avenue and 12th Street road projects which were about 4.5-4.7 million dollars and we would look at the MPC or another private placement. Last was the lease purchase of two new Tahoes, one pre-owned Tahoe and the fire truck for the public safety departments. This will reduce the \$111 million dollars projected budget.

The next one was the funding of outside agencies and he was aware that the Verde Valley Senior Center was going to request more funding. The other agencies seemed to be fine with their funding. The Humane Society was getting re-organized after losing their CEO which he thought was their biggest concern at this point. Even during these hard times Cottonwood has supported the Senior Center. We had gone from \$30,000 in 2007-08 to \$45,000 in 2009. In 2010 they were given the full \$45,000 which was because we implemented a policy that said you submit a report or you don't get your money, and they started reporting on a regular basis. To date they have continued to report and if everything goes fine they will get their \$45,000 this year. For next fiscal year they were down for another \$45,000. The Senior Center put out food all the way into Camp Verde and Lake Montezuma/Rimrock, yet Camp Verde only funded \$12,500 which was a bit of a disparity there.

Council Member Elinski stated he thought they should just tow the line at this point and if the Council had extra money in its contingency fund perhaps they could put some their way.

Mr. Rodriguez cautioned the Council that the undesignated reserves were the first thing they would hit if we did not make our revenues. The city had supported the Senior Center when the new building was being built and we gave them \$300,000 of CDBG funds instead of doing streets or other projects. Within a year's time an additional \$300,000 was designated out of our capital improvements fund to complete the building. At the time we had the resources. Right now we were in a bit of pinch as they were and we have rising costs and did not have the revenues.

Council Member Jauregui stated he would like to know what other agencies support the Senior Center and where their other funding comes in from.

Mr. Rodriguez stated a lot of their money comes from NACOG and other agencies. He was not sure if Clarkdale supported them at all. The city was carrying a big load and there were a lot of other resources out there.

Mayor Joens stated she thought the city had a lot of constraints and it was not within our means to put out another \$20,000.

Vice Mayor Pfeifer stated she agreed.

Mayor Joens stated she would go with up to making it \$50,000, but we did not have \$20,000.

Council Member Dowling stated he would like to give everybody everything and make everybody happy, but we can't. He could see some small amount going on there but not the full \$20,000 which he did not think would be prudent.

Council Member Jauregui stated he did not think it was the time to do that.

Council Member Pratt he agreed; these were tough times.

Council Member Elinski stated the best we can offer is maintain the funding level that we have in the past. It was more than they could ask for when there were so many other places that have had to fire people or cut way back on services and if we just tow the line which is what we have been doing and been successful at it was why we could still support them as much as we have in the past because we've been prudent. He was fine with the \$45,000 this year.

Council Member Norman stated she agreed. We were to the point we could not afford it right now. We go out and search for grants to help with projects and they should look for some grants to help them. She did not see how the Council could do much this year.

Mr. Rodriguez stated we do follow the GFOA rule of thumb and maintain about 60 days coverage and that has been worked over from years past. Over the course of the year in order to strengthen the general fund we in a sense called back all of our sales tax, so now

with the exception of contracting sales tax, all of our sales tax is coming back to the general fund. This was a temporary fix and once the economy starts getting a little better we do want to split that money back out. In the meantime we brought that money back in and that has helped us to go ahead and maintain the reserves that we require. We still have our 60 day coverage at 2.1 million dollars. The capital accumulation fund that the Council has capped at 1 million, all the interest is now going back to general fund for operations. Our designated reserves is at \$100,000 and we will tap into that slightly in order to go ahead and balance the budget. We still have \$777,000 account fund capital reserves the Council requested from the one percent sales tax. The excess sales tax from the .2 percent we collect after the debt from the library was paid will be at \$279,000. That excess was designated for public safety years ago and it has been used quiet heavily to pay down a lot of the lease purchases for equipment and vehicles. That is how we have been able to keep our fleet in relatively good shape. July 1, 2013 we make our last payment on the public library. That means an additional \$156,000 a year will be pumped into this particular fund at an opportune time because that's about the time we may need to fund a fire station.

Mayor Joens questioned if we had the fire station in this year's budget or next.

Mr. Rodriguez stated we had \$120,000 programmed in the capital fund for the possible study and anything we need at this point in time. We were not looking to start building on it until 2013 or 2014.

Mr. Rodriguez finished by saying that we do have \$390,000 set aside for next year's employee merit program. We will start funding it as of July 1.

Mayor Joens stated last year the Council voted on moving all of the funds of the different sales taxes and stuff into the general fund. A prior Council had set aside 40 percent of the 1 cent sales tax for the recreation center expenses. She questioned when and if times ever got better will that 40 percent that was set aside be swept into the general fund forever from now on.

Mr. Rodriguez replied that number was set aside to make sure that we would fund the recreation center. Now that the center is up and running we are getting a better track record of how much it is costing us to run it. It will just be intermingled with the rest of the funds and we will go ahead and fund it just the way we do a regular department. Their cost recovery is slowly coming back up and he felt confident we will be able to fund them without a problem.

The Council made no changes or additions to the proposed budget.

Mr. Rodriguez then stated the adoption of the tentative budget was July 5 with the final budget being adopted on August 2.

ADJOURNMENT

Council Member Pratt moved to adjourn. The motion was seconded by Council Member Elinski, and carried. The budget work session adjourned at 5:54 p.m.

Diane Joens, Mayor

ATTEST:

Marianne Jiménez, City 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 June 13, 2011. I further certify that the meeting was duly called, and that a quorum was present.

Marianne Jiménez, City Clerk

Date