

MINUTES OF THE BUDGET WORK SESSION OF THE CITY COUNCIL OF THE CITY OF COTTONWOOD, ARIZONA, HELD JUNE 17, 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 special meeting 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  
Randy Garrison, Council Member  
Terence Pratt, Council Member

COUNCIL MEMBERS ABSENT

Ruben Jauregui, Council Member

STAFF MEMBERS PRESENT

Doug Bartosh, City Manager  
Marianne Jiménez, City Clerk  
Steve Horton, City Attorney  
Rudy Rodriguez, Administrative Services General Manager

OVERVIEW OF THE CITY'S 2014 FISCAL YEAR BUDGET

Mr. Rodriguez stated about two weeks ago we were about \$400,000 "in the hole," which meant he went back to department heads and had them cut their budgets. Late last week they had recovered the \$400,000 and still had \$147,000 remaining. There was a problem with that in that he had set aside the \$147,000 to go back to department heads such as for the fire department to continue replacing their fire hoses which had been cut. Other department heads would get money back for either operational costs or capital.

Mr. Rodriguez went over a summary of the 2014 personnel requests (marketing coordinator/public information officer; assistant fire chief; communication specialist (2); records clerk; communications supervisor; and electrical technician) that were not funded in the budget as there was not enough resources to add additional staff. Items in the proposed budget included a Cost of Living adjustment for staff at 1.7 percent, longevity program for \$45,000; and the merit program was fully funded.

Mayor Joens stated it seems they had gone in debt with something we really wanted to do that we can't even afford fire hoses. She asked where the balance was.

Mr. Rodriguez stated we were where we needed to be as far as salaries were concerned. We do provide health insurance, dental, and a volunteer vision program. We fund part of dependant coverage between 60 and 75 percent. If the council wanted to change that they needed to discuss it at some point and make changes to that.

Mayor Joens questioned what the dollar amount of the other personnel costs were besides the longevity program.

Mr. Rodriguez stated the merit program usually ran about \$350,000 a year. The cost of living was about \$150,000. This year the health insurance was increasing by 6.5 percent which was pretty reasonable. The city funds a portion of dependant coverage and currently the city has no health insurance cost to employees, however, we reserve the right to adjust this during the year if we have any issues. He then briefly reviewed the five different health care core plans offered by the city.

Mayor Joens asked how any of this will change with the affordable care act.

Mr. Rodriguez stated the only difference between this and the affordable health plan is they are probably going to charge us \$65 a head, so our costs are going to go up courtesy of the federal government.

Mayor Joens stated it is already gone up because she would get some credits, but those are now gone.

Mr. Rodriguez stated those credits didn't affect us very much since we are a governmental agency. Another thing that is hitting us hard is the retirement system which has had some substantial increases over the years. Some of these increases have been doubled over the last ten years and our revenues have not been doubled over the last ten years. Mr. Rodriguez then went over the programs that they would have liked funded but have not.

Council Member Garrison asked if the Boys and Girls Club is over and above what was already given to them recently.

Mr. Rodriguez stated this is for next year. Right now they have nothing in the budget for next year. It is a request for next year.

Council Member Garrison asked which departments are having the high workman comp claims.

Mr. Rodriguez stated traditionally it has been our police department.

Mayor Joens stated what if the Council decided we wanted to have as a strategic initiative a safety program to cut some of those numbers down. She has heard of other cities and towns doing that.

Mr. Rodriguez stated other cities have done that to bring down the liabilities down and that would be something to work on. A few years ago we were below, but it kind of works in cycles.

Council Member Elinski asked if there was a resource available, similar to OSHA, who will come out and tell us what we are doing wrong and how to correct it.

Mr. Rodriguez stated OSHA will come out if we ask them to, but they don't have enough OSHA people to go out on a regular basis. We are looking for someone that can go to all the cities and towns to help out with a program.

Council Member Elinski asked about the Boys and Girls Club. We have already given them money to bail them out and now they are asking for more money in this coming year.

Mr. Bartosh stated this is the result of a meeting after we talked about their financials. They indicated to us that they were going to come back and ask for \$25,000.

Council Member Dowling stated they needed that money for a quick fix to try and get a matching grant right away and then their goal was to get on a set number every year that we could give them that they could count on, so they can then tell other places we are getting this much every year, please match that.

Council Member Elinski asked if the Old Town Center for the Arts has gotten their 501(c) 3 status since they are a private company.

Mayor Joens stated they are partnering with Cornucopia for their status.

Council Member Elinski stated we have talked about putting money into the Civic Center every year.

Mayor Joens stated it would be good to finish the city skate park as well.

Mr. Bartosh stated we are looking for grants to repair and rehab the civic center.

The Council discussed the problems with not having control of the retirement contribution.

Council Member Elinski stated he would like to have a discussion on property tax and maybe this year it might be worth looking at.

Mr. Rodriguez continued with the additional programs and stated there isn't much funding out there. He went over the revenues that are coming in. He asked the department heads to go back and make some cuts in their budgets. The local sales tax is estimated at about \$11.3 million this coming year. We lost just 30 percent on our sales tax alone. We are about \$400,000 off on our income tax from being where we were in 2009. For the state shared sales tax we are barely getting a \$1 million dollars now and during this time our costs keep going up. HURF is still hindering this revenue.

The Council discussed internet sales tax and how it was collected and how companies pay the taxes.

Mr. Rodriguez stated we are still funding some of our reserves and they are still being maintained as part of our fund balance policy. We are showing an improvement in the local economy and a little bit of growth. The bad thing is the fund balance policy is not being followed on any of our other funds because we don't have resources.

Mayor Joens stated so that fund balance policy is how we divide it to all of our various categories, and almost all those funds are going into the general fund just to support us.

Mr. Rodriguez stated not necessarily. The fund balance policy states how much we put into reserves, not necessarily how we allocate it. The HURF is pretty much exhausted, they have no fund balance. The general fund is pumping in for all the chip seal projects we are doing, all the sidewalk projects, all that is coming out of the general fund or it is coming out of capital, which unfortunately depletes the water fund or both of them depending on how we divvy that one up. Costs continue to rise faster than our revenues are coming in, and we have a ton of demands from outside agencies for support. Unfortunately we don't have any incoming revenues to support those agencies in the community. The state is still holding the HURF hostage. We are also losing Clarkdale and Jerome for dispatching which is about \$270,000.

Mayor Joens asked if we would save any money since they wouldn't need as many employees.

Mr. Rodriguez stated they have asked for two additional employees to start gearing up for the communication center. At this point in time we don't think they need the two additional employees, so we are going to keep the structure the way it is.

Council Member Garrison asked if we are too late on this communication center issue to revisit that. It seems like this thing has really become a political nightmare and it seems like everyone is backing out. He is not saying it isn't a good idea, and he really appreciated the thinking ahead to the future and trying to consolidate the services and all that, but it seems like everybody is just walking off and leaving us holding what is going to be a fairly expensive program and building with no outside users. He wondered if with the changes in support we shouldn't be revisiting that.

Mr. Rodriguez stated we had a vision and not everyone took very well to that vision and not everyone really understood that you have to put in some money now and have a lot of savings into the future. As far as building the communications center, he thinks we have to do something because we are already overcrowded at the public safety building. The public safety building was not made to house the dispatch where it is currently located.

Council Member Garrison stated in time it will probably be proven to be the right thing, but right now it just seems that everybody is just backing away as fast as they can and all of a sudden we are going to be held accountable for this entire endeavor and it looks like the numbers are no longer accurate.

Mr. Bartosh stated this has been going on for years and we have done a couple different studies on this and the reality is we did not have a communication center that was environmentally able to carry on and we needed a building or some kind of communication facility and it makes all the sense in the world to make a regional center, but there are some politics involved. The reality is we were going to end up paying more and more for Sedona Fire to dispatch our Fire Department and they didn't do that good of a job to begin with. Their system is not sustainable and they are in an old building with old equipment that will need to be replaced which will drive our costs up even more and so we needed to do something and if we end up just dispatching for our fire department, police department and ambulance company, we will be okay. At the point that Camp Verde has to replace all of their equipment and Sedona PD has to replace their equipment, then they are going to be thinking do they want to replace their equipment or do they just want to go in with Cottonwood.

Mr. Rodriguez stated we have downsized that building too. We have a program for services that we would have to fund if they went under and those are line items in our budget. There are two other categories, program funding and value added benefits, which are the types of programs that do provide some type of benefit, but if it goes under we are no worse for wear. Right now all we have are core services that are budgeted. This year he did have \$15,000 for community grants because they are having a lot of agencies coming in here asking for several thousand, if not hundreds of thousands, of dollars and he would suggest we try to resurrect that program and let them competitively apply for the \$15,000 along with other 501c3's rather than coming to the council after the budget is prepared.

Mayor Joens stated we really need it.

Mr. Rodriguez stated we have to make sure that we are meeting our revenues. If we are not meeting our revenues then we go ahead and stop doing it for that particular year. This year we gave the Old Town Association \$13,000; \$10,000 is in the budget and an additional \$3,000 was for them to update their website. This year we are only budgeting the basic \$10,000. The Senior Center we have \$45,000 for next year. He has heard that the Veteran's Van is closing their doors and he will

find out if they are going to close their doors. The Humane Society had \$40,000 and they have requested a 3 percent increase and are probably going to ask for \$42,400. Catholic Charities is \$10-15,000 a year that we fund them which goes towards assisting with water bills. Our Chamber of Commerce will get about \$108,000 which is all of our bed tax. The Old Town Center for the Arts will be requesting \$20,000, and the Boys and Girls club received \$10,000 the current year and they will be asking for \$25,000 next budget year.

Mayor Joens stated she wouldn't be willing to vote for even one penny until they have their audit completed.

Mr. Rodriguez stated he has not heard from them yet, but their payroll taxes need to be taken care of and secondly they need to have the audit taken care of. The payroll taxes are somewhere in the range of \$47,000.

Mr. Rodriguez moved on to the water and wastewater rates and the need to adjust the rates so we can have 1.35 percent coverage to meet the bond covenants. We had already been downgraded by Moody's and about a week ago we were also downgraded by S&P. We also received a non-compliance notice from our trustee. At the end of this month they will issue the final checks for the two library bonds that we have and the Rail Road Wash loan and public safety loan will be completely paid off.

Vice Mayor Pfeifer asked if there was any more word on the Rough Cut building and the issue with city hall here.

Mr. Bartosh stated the negotiations have come to a standstill pending resolution of the city hall property and we are waiting for a default hearing with the court.

Mr. Horton stated we are quieting the title, and there was a reverted clause in the deed if the property was used other than a public park or civic use. We have gone in to eliminate that reverter and have given notice to anyone that can claim that interest. No one has come forward. Once the title is cleared of that cloud and the party we are negotiating with, they will be interested in obtaining the property.

#### City Council

Mr. Rodriguez stated there was an increase of 894 percent. Every year we budget all of our reserves and one of the reasons is in case there are emergencies. The biggest thing we have here is the Council contingency which had already been reduced by \$23,000 for the current fiscal year was raised back up to \$35,000, and the \$15,000 is for the better community grants. The reserve is set at \$3.9 million.

Mayor Joens stated we lowered our office supplies by 30 percent and she didn't think we had too many office supplies.

Ms. Jiménez stated we usually use that for certificates and frames for presentations.

Mayor Joens questioned if the \$350 would be enough money for it.

Ms. Jiménez stated it should be enough, but it won't leave any money for any other special surprises.

Mayor Joens wondered if we had enough money in the public relations budget of \$200.

Ms. Jiménez stated probably not, because that's where we purchase the cookies and coffee for any Council events such as coffee talk, the GAMA lunches, and so forth.

Mayor Joens stated we used \$3,000 last year and budgeted \$6,500.

Mr. Rodriguez stated you have used about \$1,000 right now and we can make adjustments to that.

Mayor Joens stated we need some money back in there. It's good that we have \$1,000 for the Community Garden. The growth study is not going to be funded again. We should have the same amount in public relations as we did in 2012 since we should be doing more public relations. We should raise the money in the office supply budget to \$500.

### Administration

Mr. Rodriguez stated all the general managers' salary are under administration's budget since they cover such a broad range and that is why there is such a big personnel budget there. The rest is fairly slim. Operating supplies are up 1 percent, contractual services up 5 percent, other services and charges are down nearly 3 percent.

### City Clerk

Ms. Jiménez stated we cut our office supply, we cut our copy supply, we cut our travel training and we cut the election expense down to \$10,000 from \$30,000 because if we have to have a special election this coming year, hopefully we will consolidate with the county in the fall so it would reduce our cost.

Mayor Joens stated we were talking about Ms. Jiménez's desire to attend a conference and asked if there was money in there for that.

Ms. Jiménez stated the travel training was cut down to \$500.

Mr. Rodriguez stated two of the areas we asked departments to cut out first was continuing education and second was travel/training.

The council discussed whether or not the City Clerk department needs travel and training.

Council Member Garrison stated it sounds like it does need to be bumped up since it is unusable.

Ms. Jiménez stated it is unusable, since the registration for the academy is anywhere from \$200-\$300 and then there are hotel and meals costs. If we need to cut our budget that is all we can cut out of; travel/training, office supplies and copy supplies.

### Legal

Mr. Horton stated we are basically level. In the second round of cutting we gave back some contractual service money and he is covered through health service with his wife's employer, so he waived the city's health insurance. Office supplies he buys his own and he gets a car allowance so all his travel comes out of that. We just don't know what comes up in a future year and we try to keep some in there in case any litigation comes up and we have higher outside counsel and/or

special services. We are at about 2/3 of what the city use to pay by hiring outside counsel. Before he came in house they were spending about \$400,000 a year.

#### Natural Resources

Mr. Rodriguez stated this budget is pretty much flat. The increases we have are in salary which are all benefits related.

#### Finance

Mr. Rodriguez stated this department has about a 14 percent increase, mostly in personnel salaries. The computer support and audit expense has grown a little bit. Outside of that the budget is pretty much flat.

#### Personnel/Human Resources

Mr. Rodriguez stated this department has about a 14 percent increase. The biggest increase was under contractual services for that one consultant to try and help us reduce our costs. Outside of that everything is relatively small. Our unemployment insurance cost continues to rise.

Council Member Elinski questioned why their travel and training was higher.

Mayor Joens stated it was \$750.

Mr. Rodriguez stated it was actually lower than what they anticipated for the current fiscal year. They travel to different types of meetings.

Council questioned why the employee physical cost had risen.

Mr. Rodriguez stated he can look into that and email the Council with the answer.

#### Information Technology

Mr. Rodriguez stated this area has remained fairly stable. They have brought in a lot the services that we used to contract out, with the exception of specialty services.

#### Purchasing

Mr. Rodriguez stated there is not much of a change and the biggest increase is due to salary adjustments. There is about a \$6,500 increase.

#### Non-departmental

Mr. Rodriguez stated this is debt payments that we have on our lease purchase. We are increasing by almost a \$100,000. We do want to give it a rest and put some money aside on the .2 percent public safety sales tax because the cars are getting a little bit older and the new vehicles, the Tahoe, are more efficient then the Crown Vics, but they cost more. Our debt service payments went up 25 percent. Outside of that everything has been relatively stable. Our insurance liabilities have gone up a little bit.

Debt Service

Mr. Rodriguez stated this fund has a pretty substantial drop from the current fiscal year to the next fiscal year and a lot of it has to do with we are paying off a lot of loans.

Fiduciary Bonds

Mr. Rodriguez stated this is for the pension plan for the volunteer firefighters and it does not belong to the city; the money is contributed by our firefighters. This fund is not very huge and has been doing relatively well over the last few years. This also includes the employee health benefit trust which has one employee left on it and once it is used it up it will no longer be on the books.

Adjournment

Council Member Pratt moved to adjourn. The motion was seconded by Mayor Joens and carried unanimously. The budget work session adjourned at 8:35 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 budget work session of the City Council of the City of Cottonwood held on June 17, 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