

CITY OF COTTONWOOD

Fiscal Year 2011 Budget
Round Table Goal Setting Workshop
March 11, 2010



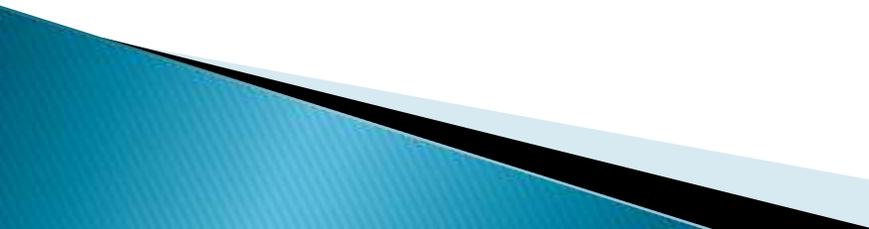
Topics of Discussion

1. Revenue Update
 2. Personnel Information
 3. Capital Projects
 4. Critical Areas
 5. Planning for Hard Times
- 

Revenue Update

Major Revenue Status

Local Sales Tax - General Fund

- ▶ First full year at 3.0%
 - ▶ Budgeted \$8.4M (General Fund)
 - ▶ Revised to \$7.8M due to economy (includes shifting HURF Sales tax back to the GF)
 - ▶ 2.2% to 2.2% comparison-down 12% over LFY
 - ▶ Sales tax is expected to end well below estimates
- 

Major Revenue Status

Local Sales Tax - 3 Year Comparison (2.2%)

2.2	Calendar Year			
Percent	2007	2008	2009	09 vs 08
January	\$892,700	\$892,433	\$804,753	-9.82%
February	874,674	712,067	598,166	-16.00%
March	640,941	707,727	603,903	-14.67%
April	836,239	932,866	683,091	-26.77%
May	776,552	796,536	651,499	-18.21%
June	835,334	645,538	666,003	3.17%
July	818,987	774,224	632,302	-18.33%
August	768,235	708,242	624,346	-11.85%
September	759,875	706,363	588,480	-16.69%
October	766,606	678,941	624,667	-7.99%
November	750,654	672,402	521,965	-22.37%
December	728,405	653,987	653,233	-0.12%
	\$9,449,202	\$8,881,326	\$7,652,409	-13.84%

Numbers depicted are based on calendar year

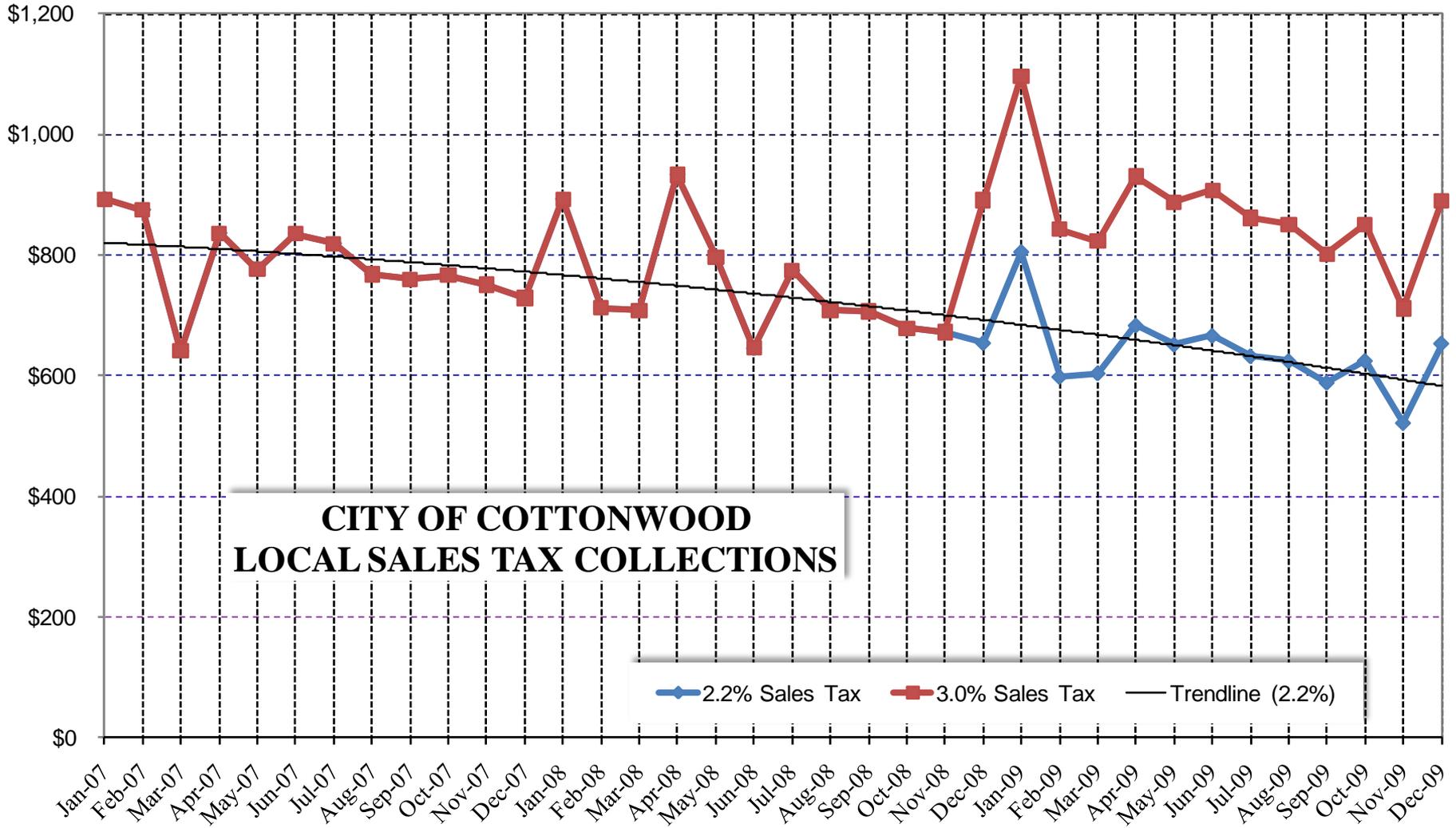
Major Revenue Status

Local Sales Tax - 3 Year Comparison (3.0%)

3	Calendar Year			
Percent	2007	2008	2009	10 vs 09
January	\$892,700	\$892,433	\$1,096,393	22.85%
February	874,674	712,067	842,376	18.30%
March	640,941	707,727	822,757	16.25%
April	836,239	932,866	930,642	-0.24%
May	776,552	796,536	887,601	11.43%
June	835,334	645,538	907,361	40.56%
July	818,987	774,224	861,447	11.27%
August	768,235	708,242	850,608	20.10%
September	759,875	706,363	801,744	13.50%
October	766,606	678,941	851,045	25.35%
November	750,654	672,402	711,125	5.76%
December	728,405	890,991	889,964	-0.12%
	\$9,449,202	\$9,118,329	\$10,453,062	14.64%

Numbers depicted are based on calendar year

Thousands



Major Revenue Status

State Shared Sales Tax

- ▶ Budgeted @ \$834,925
 - ▶ Revised to \$783,210 due to weakening economy
 - ▶ Anticipated revenues down about 6%
 - ▶ Original estimates are prepared by the State
 - ▶ State is expecting sales tax collections to improve for FY 2011, we are not as optimistic
- 

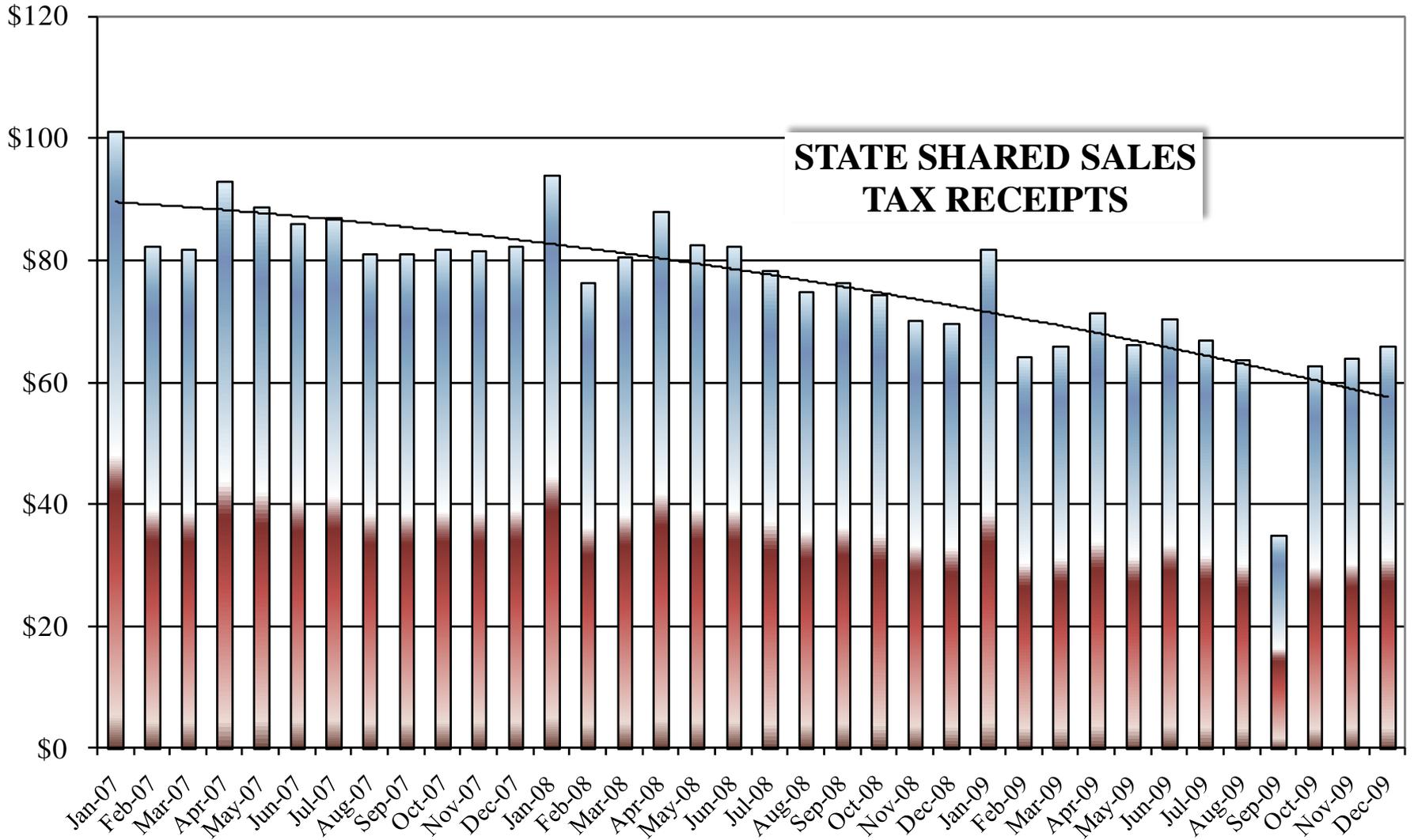
Major Revenue Status

State Shared Sales Tax - 3 Year Comparison

	Calendar Year			
	2007	2008	2009	+ / -
January	101,116	93,937	81,734	-12.99%
February	82,347	76,288	64,283	-15.74%
March	81,748	80,569	65,854	-18.26%
April	92,879	87,909	71,520	-18.64%
May	88,849	82,509	66,320	-19.62%
June	85,926	82,322	70,373	-14.51%
July	86,927	78,414	67,070	-14.47%
August	81,112	74,873	63,829	-14.75%
September	81,007	76,365	34,903	-54.29%
October	81,764	74,427	62,833	-15.58%
November	81,473	70,233	64,076	-8.77%
December	82,259	69,660	65,974	-5.29%
Totals	\$1,027,406	\$947,506	\$778,769	-17.81%

Numbers depicted are based on calendar year

Thousands



Major Revenue Status

State Shared Income Tax

- ▶ FY 2010 budgeted @ \$1,402,100 (-\$221,300 from FY '09)
- ▶ Original estimates prepared by the State
- ▶ On-Target with Budget
- ▶ Based on income taxes collected 2 years prior
- ▶ Next year - preliminary estimates down 33%
- ▶ Preliminary estimated at \$1,057,186 (-\$344,900 from FY '10)
- ▶ League believes this estimate will hold

Major Revenue Status

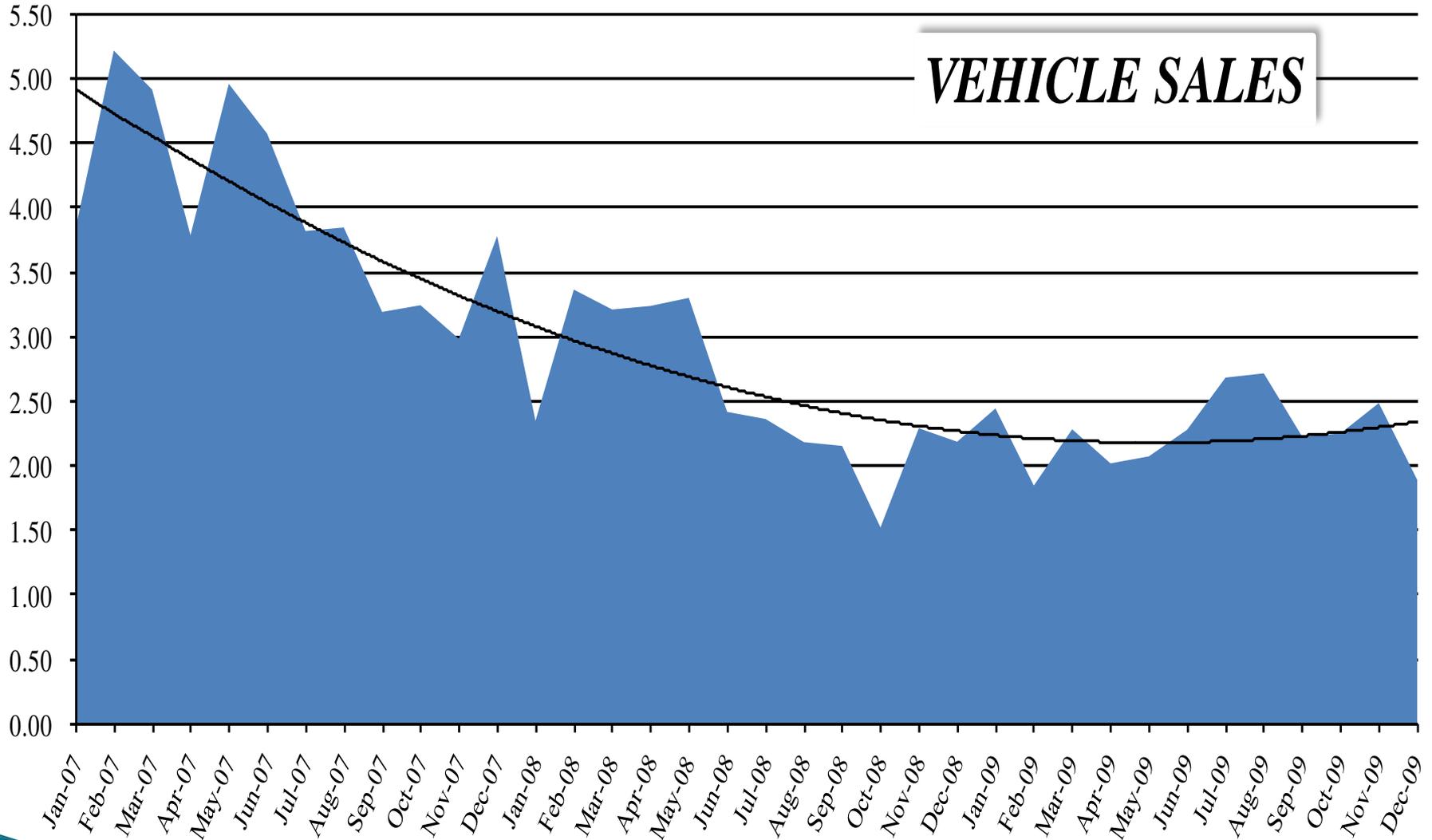
Vehicle Sales in Cottonwood - 3 Year Comparison

	Calendar Year			
	2007	2008	2009	+ / -
January	3,839,832	2,349,689	2,446,130	4.10%
February	5,227,575	3,369,528	1,846,493	-45.20%
March	4,924,087	3,215,147	2,284,351	-28.95%
April	3,792,551	3,242,666	2,019,027	-37.74%
May	4,969,117	3,305,378	2,073,609	-37.27%
June	4,581,634	2,419,252	2,280,950	-5.72%
July	3,825,131	2,364,404	2,685,608	13.59%
August	3,852,592	2,184,481	2,718,779	24.46%
September	3,196,031	2,154,825	2,226,972	3.35%
October	3,248,365	1,521,077	2,252,221	48.07%
November	2,987,588	2,292,355	2,487,854	8.53%
December	3,785,623	2,187,517	1,891,919	-13.51%
Totals	\$48,230,127	\$30,606,319	\$27,213,913	-11.08%

Car sales are at pre-2000 levels

Millions

VEHICLE SALES



Revenue Issues

FY 2010 1% Sales Tax Policy

- ▶ Recreational Center -
 - Ensure an amount equal to the Debt Service and Operational shortfall
 - Remaining revenue prorated among remaining areas
 - 50% General Government M&O
 - 50% Capital projects
 - 30% Street Improvements
 - 20% General Government capital or facilities
- ▶ No growth policy for at least 2 years
- ▶ May revisit policy as the budget process goes forward

Revenue Issues

Revised 1% Sales Tax Policy

- ▶ **Recreational Center -**
 - Ensure payment of Debt Service and Operational shortfall
- ▶ **General Fund**
 - Remaining 1% sales tax revenue goes to General Fund O&M
- ▶ Will follow same growth projections as normal sales tax
- ▶ Previous policies will be reviewed and brought back as the economy improves
- ▶ May revisit policy as the budget process goes forward

1% Sales Tax Policy

Description	%	Budgeted for FY 2010	%	FY 2010 Revised	%	FY 2011 Budget
<u>Estimated 1% Sales Tax</u>		\$3,518,692		\$3,199,671		?
<u>Recreation Center</u>						
Debt Service		1,542,075		\$1,542,075		\$1,543,275
Operations and Maintenance		318,147		262,940		?
Total O&M + DS		1,860,222		1,805,015		?
Net Sales Tax available for Distribution		1,658,470		1,394,656		?
Other Distributions	(1)					
General Government O&M	50%	795,372	80%	1,140,312	50%	?
Street Improvements	30%	477,223	0%	0	0%	?
General Government Facilities	20%	385,875	20%	254,344	0%	?
Total Other Distributions		1,658,470		1,394,656		?
Total Sales Tax		\$3,518,692		\$3,199,671		?
Note 1: Approximations						

Revenue Issues

1% Construction Sales Tax

- ▶ Effective 01/01/2006
- ▶ Change in anticipated revenues
 - FY 2006 revenues - \$51,326
 - FY 2007 revenues - \$189,394
 - FY 2008 revenues - \$271,885
 - FY 2009 revenues - \$265,600
 - FY 2010 budget - \$185,220
 - FY 2010 revised - \$0
- ▶ Originally dedicated to Street Improvements
- ▶ Shifted to General Fund for O&M
- ▶ Slowing on new construction affects this revenue
- ▶ Helped the HURF build a reasonable fund balance

Current Legislation

- LTAF / LTAF II funding
 - State is holding current LTAF / LTAF II funding
 - League expect a one time sweep to both
 - Loss would be \$50,000 - \$70,000 to HURF
- Juvenile Detention responsibility shift from State to County - Dead for this year
- Transparency Legislation
 - Total revenues report to the State
 - Expenditure over \$5,000 report to the State

City of Cottonwood

General Fund Fiscal Policy

- ▶ Minimum fund balance reserves to 60 day coverage (16.67% of operating expenditures) - \$2,186,060
- ▶ 2.67% of previous years operating revenue set aside in a Capital Accumulation Fund - CAF
 - Excess over \$1M is currently being used for General Fund O&M
 - Recommend that the City keep \$1,000,000 in the CAF
 - The CAF may be revisited at a later date during the budget process
- ▶ Excess 0.2% sales tax is for Public Safety Capital
 - This amount is down to \$200K
 - Funds Lease Purchases, major equipment needs for public safety

Personnel Information

Personnel Costs

Health Insurance Costs

- ▶ FY 2005 - \$ 886,217
- ▶ FY 2006 - \$1,045,021
- ▶ FY 2007 - \$1,026,330
- ▶ FY 2008 - \$1,201,608
- ▶ FY 2009 - \$1,217,470
- ▶ FY 2010 - \$1,520,400 estimate
- ▶ FY 2011 - \$1,665,930 estimate
 - Includes a 7.5% increase
 - Includes recreation center staffing



Personnel Costs

Workers Compensation Costs & E-Mod

- | | |
|-----------------------|---------------|
| ▶ FY 2006 - \$168,974 | E-Mod - 1.16 |
| ▶ FY 2007 - \$161,284 | E-Mod - 0.98 |
| ▶ FY 2008 - \$155,810 | E-Mod - 0.94 |
| ▶ FY 2009 - \$162,622 | E-Mod - 0.95 |
| ▶ FY 2010 - \$164,658 | E-Mod - 0.94 |
| ▶ FY 2011 - \$221,805 | E-Mod - ?..?? |
- Includes 12 additional Firefighters from SAFER Grant
 - Includes recreation center staffing
 - Stable claims

Personnel Costs

Arizona State Retirement System - ASRS

▶ High Cost of Retirement

- | | |
|----------------------------|------------|
| ◦ FY 2005 - \$325,085 | Rate 5.70% |
| ◦ FY 2006 - \$545,514 | Rate 7.40% |
| ◦ FY 2007 - \$740,069 | Rate 9.10% |
| ◦ FY 2008 - \$901,062 | Rate 9.60% |
| ◦ FY 2009 - \$906,687 | Rate 9.45% |
| ◦ FY 2010 - \$953,415 est. | Rate 9.40% |
| ◦ FY 2011 - \$999,000 est. | Rate 9.85% |
- Inclusive of the Recreational Center staffing
 - Still waiting for major changes to ASRS to help stabilize and sustain the program

Personnel Costs

Public Safety Personnel Retirement System - PSPRS - Police

▶ High Cost of Retirement

○ FY 2005 - \$150,206	Rate 15.94%
○ FY 2006 - \$226,266	Rate 17.96%
○ FY 2007 - \$213,801	Rate 17.96%
○ FY 2008 - \$257,079	Rate 17.23%
○ FY 2009 - \$349,703	Rate 22.07%
○ FY 2010 - \$341,670 est.	Rate 20.07%
○ FY 2011 - \$373,505 est.	Rate 21.94%

Personnel Costs

Public Safety Personnel Retirement System - PSPRS - Fire

▶ High Cost of Retirement

◦ FY 2005 - \$ 31,922	Rate 5.68%
◦ FY 2006 - \$ 46,087	Rate 6.50%
◦ FY 2007 - \$ 72,664	Rate 6.50%
◦ FY 2008 - \$ 88,238	Rate 10.32%
◦ FY 2009 - \$136,525	Rate 14.83%
◦ FY 2010 - \$195,869	Rate 13.37%
◦ FY 2011 - \$213,156	Rate 14.55%

▶ Includes 12 additional Firefighters and Recreation Center Staffing

Capital Projects

Water Utility Projects

▶ Arsenic remediation

- Operational units at wells 8-2, 1-1, 1-2, 2-1, 2-2, 4-1, 4-2, and 6-2
- Arsenic system began testing March 1st throughout the Cottonwood area
- We are waiting for delivery of units at 3-1, 3-2, and 5-1
- Anticipated completion date of June 30, 2010
- The contracted cost for the lease and O&M contract has been renegotiated from \$900K to \$625K per year

Water Utility Projects

- ▶ Foxworth Building
 - Move in expected 2nd week in April
- ▶ Pine Shadows Waterline
 - Entering final design
 - Will be out to bid this summer
- ▶ Hwy 260 Water Line Improvements
 - Project plans are about 100% complete
 - Bids will be out in a couple of weeks
 - Construction is expected to begin this summer
 - Budgeted cost for this project is 1.5 million

Water Utility Projects

- ▶ New reservoirs at wells 8/9 and the Yuma site
 - Design is complete and approved by ADEQ for construction
 - Work is anticipated to be bid this spring
 - Completion is expected Fall 2010
 - Budgeted cost for project is \$750,000

Wastewater Projects

- ▶ **Bella Montana Water Reclamation Facility**
 - Plans are 80% complete
 - Developer expects models to be built within 12 months
 - City is looking at its options

- ▶ **Hwy 260 Sewer Extension**
 - Plans are at about 90% and in it final design
 - Budgeted cost for this project is 1.9 million.

Street Improvement Projects

- ▶ W. Mingus Reconstruction - 89A to Willard St.
 - Under design
 - Estimated completion is Fall 2010
 - Budget is \$1,070,000

 - ▶ 12th Street - 89A to Fir St.
 - Complete design and ROW acquisition
 - Estimated completion is Spring 2011
 - Budget is \$2,300,000
- 

Street Improvement Projects

- ▶ Pavement Preservation - FY 2010
 - Project area Mingus & Main neighborhood
 - Estimated completion is June 2010
 - Budget is \$350,000

 - ▶ Pavement Preservation - FY 2011
 - Project area East Main Street
 - Estimated completion is June 2011
 - Budget unknown at this time

 - ▶ Add bike lane signing & markings
 - S. Willard St., Fir St., and S. 6th St.
- 

Airport Projects

- ▶ Assist with new FBO startup
 - Mechanic on site
 - Assumption of fueling responsibility
 - Other expanded services
- ▶ Submit for federal grant to extend Runway 32 and additional 300 feet

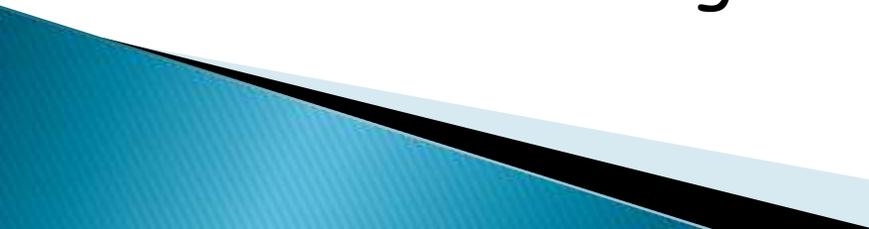
Other Projects

▶ Communication Center

- Already purchase land adjacent to PS Building
- Multi jurisdictional Project
- Currently seeking to contract with a consulting, design and engineering firm
- Budget for consulting, design and engineering - \$350,000

Critical Areas

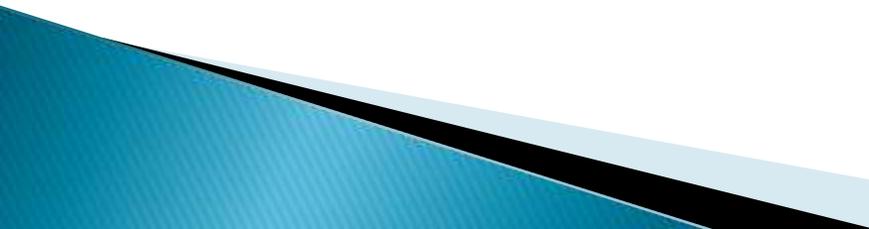
Budget Planning

- ▶ Another very lean budget year
 - ▶ Balanced budget as required by State Statute
 - ▶ Avoid new or additional taxes
 - ▶ Maintain our fiscal integrity
 - ▶ Comply with all bond covenants
 - ▶ Maintain current level of services
 - ▶ Protect staffing as best as possible
- 

Protecting City Jobs

- ▶ Protecting City Staff in order to maintain current level of services is priority
 - No Cost of Living Adjustment (COLA)
 - No additional staffing
 - No reclassifications
 - Freezing positions
 - Cost cutting programs
- ▶ Employees priorities
 - 1st - Temporary elimination of Merit Program
 - 2nd - Employee health insurance cost sharing
 - 3rd - Reduction in hours
 - Will be looking at all options

Recreational Center

- ▶ Scheduled to open *May 2010*
 - ▶ Debt Service is currently funded
 - ▶ Due to economic situation
 - Reviewing revenue projections
 - Reviewing staffing patterns
 - Looking at all options to ensure it opens on target
 - ▶ Importance to local economy
 - Recreation Centers are economic engines
 - Provides an important amenity when making job offers
 - Attracts RC visitors to local shopping
 - While here RC visitors eat at local restaurants
 - ▶ Major improvement to local quality of life
- 

Planning for Harder Times

What if things get worse?

- ▶ Will make additional departmental cuts
 - ▶ Adjust operating hours (with or without affecting employee hours)
 - ▶ Reduce programming and events throughout the City
 - ▶ Reduce the maintenance of parks and facilities
 - ▶ Look closely at non-essential services
- 

What if things get worse?

- ▶ Increased employee health care cost sharing
 - ▶ Furloughs or reduction in workforce
 - ▶ Request employees take days off without pay
 - ▶ Early retirement incentives
 - ▶ Reduce overall staffing including Fire, Police, and Utilities
 - ▶ Request changes to our reserve requirements
- 

FY 11 Budget Calendar

 Distribute Budget Worksheets & Instructions	February 23, 2010
 Distribute Goals & Performance Measures Forms & Instructions	February 23, 2010
 Distribute Personnel Request & Reclassification Forms	February 23, 2010
 Distribute Capital Improvements Schedules, Forms, & Instructions	March 01, 2010
 Budget Worksheets Due to Finance	March 02, 2010
 Personnel Requests & Reclassifications due to Finance	March 02, 2010
 Capital Improvement Forms due back to Finance	March 09, 2010
 Potential Budget Issues & Goal Setting Meeting - City Manager	March 09, 2010
 Goals & Performance Measures due to Finance	March 10, 2010
 Council Annual Goal Setting Workshop	March 11, 2010

FY 11 Budget Calendar

 Capital Improvements Meeting (Finance & City Manager & GMs)	March 22, 2010
 Review of 1 st . Budget Draft with Finance & City Manager & GMs	March 22, 2010
 1 st . Round Departmental Budget Meetings	March 29-April 2, 2010
 Review of 2 nd Budget Draft - Finance & City Manager & GMs	April 12-16, 2010
 Capital Improvements Workshop- ½ Day (Staff)	April 16, 2010
 Department Head Budgetary Update Meeting (Pre-Council Workshops)	April 19, 2010
 Distribute <u>Proposed</u> FY 2010-11 Budget to City Council	May 10, 2010
 Budget Work Sessions with City Council @ Council Chambers	May 2010
 Introduction to the Budget / Personnel Matters / Capital Requests	May 20, 2010
 Departmental Presentations / Budgetary Wrap-up	May 24, 2010

FY 11 Budget Calendar

 Reserved for additional Budget Meeting	May 25, 2010
 Reserved for additional Budget Meeting	May 27, 2010
 Present Tentative FY 2010 Budget to City Council	June 01, 2010
 Public Hearings on Tentative Budget	June 08, 2010
 Adopt <u>Tentative</u> FY 2010-11 Budgets, set Expenditure Limitation	June 15, 2010
 Present Final FY 2010 Budget to City Council	July 01, 2010
 Public Hearing on Final Budget	July 13, 2010
 Adopt <u>Final</u> FY 2010-11 Budget	July 20, 2010
 Budget Due to GFOA for Award Review	October 20, 2010

Questions

