

**THE WORKSESSION  
OF THE MAYOR AND CITY COUNCIL OF BENSON, ARIZONA  
HELD MAY 17, 2010 AT 7:00 P.M.  
AT CITY HALL, 120 W. 6TH STREET, BENSON, ARIZONA**

**CALL TO ORDER:**

Mayor Fenn called the meeting to order at 7:00 p.m. with the pledge of allegiance.

**ROLL CALL:**

Present were: Mayor Mark M. Fenn, Councilmembers David Lambert, John Lodzinski, Councilmember Lori McGoffin and Al Sacco. Excused were Vice Mayor King and Councilmember Lori McGoffin.

**NEW BUSINESS:**

**1. Budget Worksession for the City of Benson, Fiscal Year 2010-2011; all revenues and expenditures of the City may be discussed**

Mayor Fenn stated this meeting would focus on General Fund revenues. Finance Director Jim Cox then addressed Council stating in the proposed budget, all line items were tightened and the contingencies were increased, adding this makes the budget extremely flexible, but that it differs from the past in that line items had some extra room throughout the budget and now they are down to the bare bones minimum with larger contingencies. Mr. Cox stated this forces staff to communicate with Council to obtain their approval to move money out of the contingency to the requested line item, giving more control to management and to Council.

Mr. Cox then began with personnel stating vacant positions were shown in the budget only if there was a current plan to fill the position, that other positions were still authorized, but because of the economy, were not anticipated to be filled. Mr. Cox then stated as each department budget was reviewed, Council would see that contingencies were larger to accommodate unplanned expenses. Mayor Fenn then stated this change was more than just moving numbers and it should instill philosophy that would make everyone tighter with each budget line item. Mr. Cox agreed stating that when a particular budget line item is close or over, it will require communication not only at staff level, which is being done currently, but will now require that communication with Council. Councilmember McGoffin questioned the need to act in the event of an emergency situation or repair with staff stating the City Manager has authorization for expenditures up to \$20,000 and would then bring the information to Council as soon as possible.

Mr. Cox then continued with personnel, stating there were no merit raises and no cost of living adjustments, but that the good news was that there were no salary reductions, no layoffs, no furloughs and no drastic changes in benefits. Mr. Cox stated these were still options that could be implemented if needed, but that as it stands now, they were no personnel adjustments. Mr. Cox then addressed personnel benefits stating that the proposed health plan increases the deductible from \$3,000 to \$5,000 and in doing so, drops our monthly premium by about \$5,000, adding there are proposed changes to the Health Reimbursement Account, which would result in no increased deductible for the employee. Mr. Cox then stated the emergency room co-pay will be lowered from the current \$450.00 to \$250.00 and may be lowered in further negotiations since Benson did not have an Urgent Care Facility. Mr. Cox then stated the Flexible Spending Account (FSA) will remain at the maximum of \$5,400.00 but under the National Healthcare Plan, will be eliminated in the future. Mr. Cox then recommended dropping the discount dental plan, stating he had conducted an informal poll of employees throughout the year and found only 1 person who used the plan. Mr. Cox then stated the City provides \$20,000 in life insurance for each employee and that a lot of employees had requested the ability to purchase additional life insurance. Mr. Cox then stated he had made the ability for employees, at their own expense, to purchase additional life insurance at the group rate an essential component in shopping for group life insurance and that he was still obtaining this information. Mr. Cox then stated overall in personnel, the costs will go down about \$5,000 per month, adding that the City's consultants worked hard for the City. Councilmember McGoffin asked about the higher deductible

and if it ran fiscal year or calendar year. Mr. Cox stated he thought it was by calendar year, but would have to check and let Council know. Mr. Cox then said they are still working on some components of the health plan, such as the emergency room co-pay and will have all the absolute numbers and facts in 2 weeks, at which time the consultants will be back to discuss and go over benefit plans with everyone.

Mr. Cox then spoke about the proposed personnel changes, stating we would be adding 2.25 employees as the transit service progresses with 1 each for the Dial-A-Ride program and for the fixed deviated route and a part-time relief person for vacations and illnesses. Mr. Cox then stated the transit costs are all covered by grants. Mr. Cox then went on to say the only deletion is 1 full-time employee for custodial services, adding that staff has decided for each department to take care of their own offices and that in the police department one employee is receiving overtime to specifically take care of the cells. Mr. Cox then stated the vacant positions that have been budgeted are the building official, a police officer and a communication specialist and that the positions of the police commander, 1 police officer, the center coordinator, 1 parks worker, a part-time tourism clerk, a senior planner and 1 utility worker are the positions that are not expected to be filled and are not shown in the proposed budget. Councilmember Lodzinski verified with Mr. Cox that these positions are existing authorized positions with Mr. Cox stating they are still in the organizational chart and are authorized positions, but they are not budgeted since we don't expect to fill them.

Mr. Cox then went over some personnel allocation changes stating he was able to move .75 of a full-time employee out of the Finance Department into the Transit Fund and that the salaries in the Transit Fund will be paid with grant funding, benefitting the General Fund and that 1 communication specialist has been moved from the Police Department to the Fire Department.

Mr. Cox then moved to budgeted revenues, going over sources of revenue and stated the proposed budget was prepared as if the Series 2010 bonds will be issued, adding the total budget amount is \$21,800,000. Mayor Fenn stated without the bond, the budget would have been less than last year, with Mr. Cox stating the City, operationally speaking, is down a bit this year from last, but that it was expected, since our personnel is down.

Mr. Cox then moved to the General Fund stating the property tax levy will be lowered slightly this year and then went over projected sales tax collections. Mr. Cox then noted there is a new line for the half-cent sales tax to be moved back into the General Fund since the Series 2010 bond payments will be made from the General Fund, adding that the projected bond payment will be slightly less than the annual amount of payments to the Wastewater Treatment Plant loan, but that we're getting a lot more benefit, freeing up over \$2 million in cash for badly needed projects. Mr. Cox then spoke about the bed tax, stating the proposed budget reflected an increase in the bed tax from 2% to 4%, noting that he had checked with surrounding communities and their bed tax rate ranged from 4% to 7%.

City Manger Glenn Nichols then addressed Council regarding the bed tax, stating the current rate of 2% was put in place on June 6, 1989. Mr. Nichols then stated in discussing the budget, if Council agreed to increase it to 4%, the collections would equal the costs for Tourism and could help support of the Chamber of Commerce, but would still keep Benson below the communities in the surrounding areas. Mr. Nichols then stated in discussions, they didn't feel another 2% would be a big burden and affect lodging in the community. Mayor Fenn then asked Benson/San Pedro Chamber of Commerce Director Bob Mucci about inquiries the Chamber received regarding lodging. Mr. Mucci stated callers would usually ask about price ranges in Benson, but never ask about the bed tax specifically and that he had never had anyone say that they would stay somewhere else because it's cheaper. Mr. Mucci stated even with the proposed increase, Benson would still be cheaper than Tucson. Discussion then addressed the effect on RV parks with Mr. Cox stating the tax is charged only on stays less than 30 days and then added that Tucson has an additional charge for RV parks and he would not propose an additional charge. Mr. Cox then stated an increase in bed tax would come before Council for their decision in the form of an ordinance.

Mr. Cox then went over other General Fund revenue sources, taxes and state shared revenue, noting the decrease in state shared revenue from \$611,965 to \$461,288, adding the projected amount is not an

estimate, but is what the State has committed to pay us and that it was a big decrease in our General Fund revenues. Mr. Cox then reviewed other department revenues, which were similar to the current budget. Mr. Cox then stated he and the Fire Chief had been looking into companies that bill for fire services, collecting from insurance companies, adding that other communities have had some success in doing this and that it was a revenue source the City had not tapped into that other communities have. Mayor Fenn questioned billing City residents with Mr. Cox stating only those fires or accidents outside the City limits would be billed, adding that when the Fire Department expends resources on those that don't live here and pay for those services, the City almost has an obligation on behalf of our taxpayers to attempt collecting reimbursement for those services.

Mayor Fenn then asked about the revenue stream that would be the source for the bond payment and if there was any restriction on it. Mr. Cox stated the half cent sales tax is scheduled to sunset in 2018 and there are no restrictions on its use, adding the City had researched this thoroughly and had obtained legal opinions from more than one firm. Mr. Cox then stated this concluded the General Fund.

Mr. Cox then stated he was prepared to discuss revenues in the enterprise funds, with the exception of the gas, water and wastewater funds, stating it would be beneficial to discuss those fund revenues and expenditures at the same time. Mr. Cox then presented the Sanitation Fund stating the City has a small increase coming and the rates will not need to be raised, but will need to be raised in the following fiscal year, adding a formal rate study will be done and presented to Council, but the proposed budget contains no increases for sanitation.

Mr. Cox then reviewed the airport budget, stating the main source of revenue is a contribution from the General Fund and is needed for the City's required match for any airport grants we receive. Mr. Cox then moved to the Street Fund stating HURF funds have gone down, but the State feels they will go up in the next year, adding the proposed budget contains the State's projections as well as \$200,000 from the Series 2010 bond proceeds for pavement management projects. Council asked about the lottery revenue, with Mr. Cox saying that funding went to the State's general fund.

Mr. Cox then spoke about the Capital Project Fund, which Council reviewed with the CIP. Mr. Cox stated he was anticipating construction sales tax to be just slightly higher than the current fiscal year. Mr. Cox then stated the proposed budget was looking at using a significant amount of Series 2010 bond proceeds to do the projects that will be discussed as Council reviews the expenditures, but that they actually went through those with the CIP at the first budget worksession. Mr. Cox then stated the proposed budget included \$250,000 for an anticipated grant for the Ocotillo Phase I project, adding the competition was very heavy for this grant, but it needed to be included in case the City was awarded the grant. Public Works Director Brad Hamilton stated the project would be for design only for the section north of 4th Street to Interstate 10, adding this is the only side currently eligible. Mr. Hamilton stated the grant would be for prefatory work that would be needed to apply for the next grant for the project.

Mr. Cox then discussed the Impact Fee Fund stating there is a balance carried forward of \$500,000 and he is projecting approx \$120,000 in impact fees, which is approximately equivalent to the current fiscal year impact fees.

Mr. Cox then spoke about the Transit Fund, stating the fund consisted of grants and had received confirmation of 3 grants, but was still awaiting confirmation of the 5316 grant, the largest grant for the fund. Mr. Cox said he had been informed that the grant was looking good and that it was just a matter of moving the paperwork along. Mr. Cox stated they will continue planning the transit program so we can start the Dial-A-Ride component on July 1 and the deviated routes approximately October 1.

Mr. Cox then addressed the Debt Service Fund stating this is a new fund which is entirely related to the income and expenditures associated to the bond issue, such as the revenue of the bond proceeds and the expenditures such as the distribution of payments for the current debt obligations that will be paid, the contributions for the listed capital projects, the cost of the bond insurance, fees for bond underwriting, the

commission to the bond seller and the legal fees.

Mr. Cox then moved to the Fire Pension Fund, stating we were expecting a small contribution from the State and was suggesting a contribution from the City in the amount of \$19,900, due to the low interest rate earned on the fund. Mayor Fenn asked about the amount of the pension payments and asked if they should be kept the same even though the interest rate had dropped. Mr. Cox stated in the past the City contributed \$24,000 annually, but had stopped doing so in 2007. Mr. Cox then stated several firemen will be able to collect pension payments in 2014 or 2015 and feels prior to that point, the actuarial will need to be re-examined. Fire Chief Keith Spangler then addressed Council stating the pension payments can be paid from the accrued interest on the fire pension account, instead of the interest earned in the year the payments are made. Mr. Spangler then stated the City's standard contribution had been \$24,000 a year, but in 2007, staff looked at the principal of the account and felt that the interest would sustain the current pension payments, which is why the contribution was discontinued. Mr Cox then stated staff's recommendation was included in the proposed budget and Council could amend it, if they decided.

Mr. Cox then stated he would like to defer the discussion on the Grant Fund, stating he would like to consider allocating funds to classified grants and would bring this fund back up at a later worksession with Council.

Mayor Fenn then stated the worksession went as planned, discussing all revenues, with the exception of the gas, water and wastewater funds that would be discussed with their expenditures and that the next worksession would focus on General Fund expenditures. Mayor Fenn then restated the next worksession would be held on Wednesday, May 19th at 7:00 p.m., followed by another worksession on Monday, May 24th at 6:00 p.m. Mr. Cox stated he would like to postpone his usual monthly financial report for the month of April with Council agreeing it could be moved back to another regular Council meeting.

**ADJOURNMENT:**

Councilmember McGoffin moved to adjourn at 8:05 p.m. Seconded by Councilmember Lodzinski. Motion passed 5-0.

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Mark M. Fenn, Mayor

ATTEST:

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Vicki L. Vivian, CMC, City Clerk