

**THE WORKSESSION
OF THE MAYOR AND CITY COUNCIL OF BENSON, ARIZONA
HELD MAY 9, 2011 AT 6:00 P.M.
AT CITY HALL, 120 W. 6TH STREET, BENSON, ARIZONA**

CALL TO ORDER:

Mayor Fenn called the meeting to order at 6:00 p.m. with the pledge of allegiance.

ROLL CALL:

Present were: Mayor Mark M. Fenn, Vice Mayor John Lodzinski, Councilmembers David Lambert, Nick Maldonado, Lori McGoffin and Al Sacco. Absent was: Councilmember Jo Deen Boncquet.

NEW BUSINESS:

1. **Budget Worksession for the City of Benson, Fiscal Year 2011-2012; all revenues and expenditures of the City may be discussed**

Mayor Fenn stated the purpose of this budget worksession was to review the Capital Improvement Plan (CIP) and asked Finance Director Jim Cox to streamline his presentation focusing on those projects that were realistically possible to complete in the upcoming year. Mr. Cox then addressed Council stating he would go over the CIP and on Wednesday the Council was scheduled to discuss General Fund revenues and personnel, adding the budget meetings schedule was set to allow Council to approve a final budget by June 28. Mr. Cox then gave a brief overview of the budget, stating it is set almost right on \$20 million and like the last three years, it was tight, but achievable. Mr. Cox then stated each year, the City has come in considerably under the approved budget, noting it is used as a guideline and each expenditure is still looked at with tough thinking about every dollar we spend. Mr. Cox stated the budget anticipates no decrease in services and no personnel costs reductions and after looking at those areas, it is his professional opinion that this can be done, assuming that the economy and the state of the City stays as it is today. Mr. Cox then reviewed the summary of the CIP stating the total CIP expenditures the first year are \$2,658,000 with total anticipated capital expenditures over the next 5 years at \$37 million. Mr. Cox then discussed the funding sources for the Fiscal Year 2011-2012 projects in the amount of \$2,658,000, which are a small General Fund capital allocation for a couple of smaller General Fund projects, \$931,000 from the Series 2010 bond process, construction sales tax, which is a primary funding source for capital projects, in the amount of \$400,000, anticipated grants in the amount of \$1,350,000, and \$90,000 from the enterprise funds, noting \$60,000 of that amount are grants we don't have a high level of expectation of receiving. Mr. Cox then stated the City needs a fire truck and it would be his recommendation to take the expense of \$90,000 out of the \$256,000 cash reserve the City has for fire truck replacement, which is noted in the budget.

Mr. Cox then moved to the General Fund CIP stating those capital improvements total \$391,000 with the two large items being a brush truck and a Ford Crew Truck for the Fire Department. Mr. Cox then noted the \$90,000 truck is shown funded by the fire truck cash reserve and the majority of the brush truck expense of \$281,000 is anticipated to be grant funding in the amount of \$267,000. Mayor Fenn asked about the grant probability with Mr. Cox stating there is a high level of confidence the grant will be received, but if the funds are not received, the truck will not be purchased. Mr. Cox then said the other project in General Fund capital improvements is the roof repair for City Hall. Mayor Fenn asked Mr. Cox if there was a way to utilize the bond proceeds in smaller amounts so we don't commit to any huge project that's going to deplete the bond funding in case City revenues really fall short or the Council chooses to stop spending. Mr. Cox then stated all of the \$2.4 million in bond proceeds are with the bond trustee and he intends to take a significant draw down right before the current fiscal year end to cover purchases already made out of our regular cash flow, but should be reimbursed out of the bond fund. Mr. Cox then stated that cash will be used to make the Wal-Mart payment. Mr. Cox then added the reason he is waiting until the end of the year is that the City does have the available cash and he would like to see how the capital spending goes all through the year before we make a decision on exactly what we're going to elect to pull out of the bond fund for those capital expenditures.

Councilmember Maldonado asked where the new fire trucks would be stored with Fire Chief Keith Spangler

stating the brush truck is small enough to fit in the bays and all trucks that have hoses will definitely be parked inside.

Mr. Cox then addressed the capital projects fund stating the main funding sources are construction sales tax, a CDBG grant and about \$900,000 of 2010 bond proceeds. Mr. Cox then went over the projects which include the Union Street park playground, a drainage study for inner-city in the amount of \$75,000, our on-going pavement management, roof replacement for the fire/police building, utility rate studies contracted from an outside independent firm, a back-up generator for the police/fire department, Central Avenue alley drainage, reconstruction of a section of 5th Street, the General Plan Update, the Ocotillo line replacement, street sign upgrades to conform with new rules, the west end pressure reducing site (a water project) and the 5th Street and Ocotillo water line. Councilmember elect Chris Moncada asked about the utility rate study cost with Mr. Cox stating there are rules in place for rate studies and from a financial perspective, he has been strongly advised by our bond counsel that any rate studies we do or whenever we adjust rates, we should have an independent study done to protect the citizens as well as the City.

Mayor Fenn then stated it would be helpful to the Council to see the fund sources, adding if they could be numbered and then have the fund source number next to the project, they could see where the funding was coming from without having to locate the project detail sheet. Mr. Cox stated he has that information on his worksheets and can add another column on the presented budgets for the Council to identify the funding source. Vice Mayor Lodzinski asked about the Wal-Mart payment being based on sales tax received from Wal-Mart with Mr. Cox confirming the payment is to be 50% of the sales tax receipts from Wal-Mart or \$250,000 whichever is less and then stated 50% of what the City receives from Wal-Mart sales tax receipts would be much higher than \$250,000. Councilmember McGoffin then asked if Gas City being closed for 4 months was going to hurt the City a lot with Mr. Cox stating it would, to the tune of several thousand per month, then noted the budget had already been adjusted for that.

Councilmember Lambert asked about the roof replacement for the fire/police with Public Works Director Brad Hamilton stating the roof would be stripped down to the insulation level and if the insulation could be saved, they would add more insulation and then redo the top layer of roof, otherwise the insulation layer would be replaced also, and then added he was impressed with the roofing system and noted we should get another 20-30 years from this new roof. Councilmember Lambert then asked about the backup generator and what the police station is using now. Mr. Hamilton then stated the generator that is currently there, which was put in with the building, is a 10kva generator and the demand on it is close to 100kva so the generator has been taken offline and if the power goes out, generators from the public works yard will be moved to the station and used with extension cords. Mr. Hamilton then stated the plan is for a 100kva generator, which would not only supply emergency equipment, but the entire building, in case of an emergency. Councilmember Lambert then asked about the CDBG program and if the funding would decrease with Mr. Hamilton stating from what we understand right now, the current grant funding is still secure but in the next round, cuts from 16-21% are anticipated and in the round after that, they are not sure if the program will still exist.

Mayor elect Toney King then stated with the bridge being out at the J6 exit, many people drive to Tucson since they are on the west side of the bridge and asked Mr. Cox if the budget anticipates this with Mr. Cox stating he didn't take it into consideration as much as perhaps he should have, but then stated there is an anticipated dip in the early months of the new fiscal year, so the good news of the bad news is those months are low revenue months, so at least we're not losing those sales in our high revenue months.

Mr. Cox then noted there was an error for the pool improvements, with CIP Project PR10-1, showing \$35,000 being spent in 2012-2013, which will actually be spent in this next fiscal year and a portion of it will be spent actually before this current fiscal year end, adding in the next budget compilation, it will be corrected. Councilmember Lambert asked if that included switching to a salt system with Mr. Cox confirming it did.

Mayor Fenn then stated he wanted to make sure he understood correctly that the \$250,000 payment to Wal-Mart, which is going to happen before this fiscal year ends, is going to be pulled from bond proceeds with Mr. Cox stating he should have been clearer with his previous statement, since that is not correct. Mr. Cox then stated the City has spent money on various capital projects, such as the \$200,000 on the recent paving project, which he intends to replenish with bond proceeds. When the draw is made to pay for those capital projects, a portion of

the resulting cash will be used to make the payment to Wal-Mart.

Mr. Cox then addressed the Natural Gas Fund CIP stating the purchase of some electronic meters will be funded by internal capital from the enterprise fund. Mayor Fenn asked what percentage of the City will have electronic meters when that is completed with Public Works Director Brad Hamilton stating it would be just under 50%. Councilmember Lambert asked if electronic water meters were also budgeted in the coming fiscal year with Mr. Hamilton stating they were not, but noted just fewer than 50% of the water meters were electronic now.

Mr. Cox then stated there were no projects in the Water Fund CIP and moved on to the Wastewater Fund CIP, stating we anticipate purchasing a high pressure jet router and left a few thousand dollars in for the completion of the NPDES/ADEQ permit, which is about to be issued. Mr. Hamilton then stated he got the permit application back last week for our final round of comments and it will then go out for public review, so he is anticipating the permit will be issued after the end of this fiscal year. Mr. Hamilton then stated the permit application was initially submitted back in October, but it takes awhile to get anything through ADEQ with all the staff cuts they've had. Mayor Fenn asked if this permit would need to be applied for again in the future with Mr. Hamilton stating the City has to reapply for the permit every 5 years.

Councilmember Lambert asked about the wastewater at the Post Ranch Road complex being self-sustaining with Mr. Hamilton stating there were a little less than 50% of the homes that would be needed to start the plant. Mayor Fenn asked about the jet router with Mr. Hamilton stating the one we have is over 20 years old and will need to be replaced soon, adding it will probably be in the next fiscal year. Vice Mayor Lodzinski then asked about ADOT widening Highway 80 and the utility relocation project we would need to do at the same time with Mr. Hamilton stating since ADOT's funding has decreased, the project has not been programmed into their 5 year plan, but when it is programmed in, the City will add the project to our CIP.

Mr. Cox then addressed the Transit Fund CIP stating the City purchased all 3 buses this year, adding the grant approved all 3 of the buses and they were advised to make all capital purchases that had already been approved by the Federal Government. Mr. Cox then went over the projects which included more bus stops and signs, some communication and surveillance equipment that will be installed both in the buses and at the storage yard and \$150,000 for a bus barn and paving. Councilmember McGoffin asked about the bus that was recently in the shop for repairs with Mr. Cox stating the entire electronic cable assembly was replaced after being found defective. Mr. Cox then stated he believes the buses are warranted for 3 years, but will confirm the timeframe. Councilmember Lambert then asked of the \$191,000 budgeted amount, how much was required of the City with Mr. Cox stating the City has a 7% match in the amount of \$13,000, which will come from the City's General Fund.

Mr. Cox then stated the Airport Fund CIP totaled \$550,000 and asked Mr. Hamilton to address the Council concerning the airport. Mr. Hamilton then stated even though the scheduled amount of the Airport CIP was \$550,000, he didn't think it would be that high, but unfortunately, Congress has been funding everything with continuing resolutions for about 2 ½ years so no one knows or has a good idea of what funding will come forward. Mr. Hamilton then stated the last couple of years have been so turbulent without the FAA having a fixed budget that cities don't know when or how much funding will be available.

After there were no questions, Mr. Cox addressed the General Fund revenues, asking Council to keep in mind; he would not be including Citywide revenues, but only General Fund revenues. Mr. Cox then stated the majority of our General Fund revenues is City sales tax, which is why it's so critically important, and added we also receive a portion of the State sales tax, which has been diminishing, noting 3 years ago, it was over \$700,000 and now it's down to \$386,000. Mr. Cox then went over other funding sources, which include a portion of the auto license taxes and State revenue sharing, which is a share of State income tax that the State passes back to each locale. Mr. Cox stated that has also been diminishing from \$780,000 3 years ago to \$430,000 now, adding both the State sales tax and shared revenue are probably in danger, but no one knows how soon. Mr. Cox then stated the remainder of all revenues in the General Fund is just a variety of smaller increments that add up to the total of almost \$7 million.

Mayor Fenn asked if Mr. Cox had any other comparisons of how our funding sources have changed over the last 3 years, with Mr. Cox stating City sales tax has been fairly constant, with each year for the last 4 years, being

compared on a year over year basis having a slight increase until just the very recent last 4-5 months, the auto lieu taxes are staying the same, the general property taxes are very close to the same, noting in the first budget he did they were approximately \$210,000 and were now \$220,000, the franchise taxes have increased, due to more cellular antennas on our water tank and the bed tax has decreased over the past 4 years fairly consistently, from a high of about \$98,000 to this year's projection of \$76,000. Mr. Cox then stated the rest of the revenues are all pretty small items then added interest income is way down due to very low interest rates.

Mayor elect Toney King asked about income from the golf course with Mr. Cox stating the golf course is in a separate enterprise fund by itself, but for at least the next 3 years, the golf course will not make any contribution of cash back to the City because the terms of our agreement with Mr. Hartley is that he funds any shortfall we have, so we make sure we make necessary capital expenditures to balance that out. Councilmember McGoffin questioned the property rentals with Mr. Cox stating the changes in the budgeted amounts from 2010-2011 to 2011-2012 were due to a large refund of 2 ½ years of billboard rents the City had been collecting that were really due to Arizona Golf Systems, so the City had to pay them back approximately \$40,000 at the beginning of the year. Councilmember Lambert then stated in July the City will begin charging for the use of the lights, but he didn't see a line item for the revenues, adding it would ensure the revenues were monitored and placed into the correct fund with Mr. Cox stating he will add it to the budget. Councilmember Sacco reminded Mr. Cox about an adjustment to the Planning & Zoning fees with Mr. Cox stating Councilmember Sacco had caught an error in the Planning & Zoning budget with \$21,000 revenues year-to-date that was projected to be \$5,000 at year end, adding the error doesn't affect the proposed budget, but does affect our projection of where we will be at year end and the correction will be made.

Mr. Cox then moved on to address personnel, by department stating Staff recommendation is no layoffs, no salary reduction plan and no furloughs, adding that is based on two things; first in the General Fund, our contingency set up last year was \$780,000 and it's only dropped by \$100,000 going into this year, which tells him the City weathered this past year pretty nicely and second, if we had any personnel adjustments that resulted in either layoffs or furloughs, we would have to significantly cut into City services. Mr. Cox then stated in other words, the City is operating at absolute bare bones and is not reducing our City services, adding we may be a little slower than we used to be, but we are still getting the job done. Mr. Cox then stated he felt the City was so close to break even, and there are some little green shoots in the economy here and there that give one reason for very tempered optimism that things may start to look a little bit better over the next year or year and a half. Mr. Cox then stated he said that in a very tempered manner, making a recommendation for nothing to happen at this point in time with full awareness that we need to really watch what we're doing carefully and if we see any permanent reductions in revenues sources that will result in us using our reserve funds, he thinks we will have to immediately relook at the whole situation, but as the crystal ball looks right at this moment, he feels comfortable making this recommendation. Mr. Cox then stated another factor is that the City has \$2.4 million of money left from the bond issue and it is a sufficient amount to absorb some fairly major potential problems we might have in the City's infrastructure, which is another reason to keep cash reserves. Mr. Cox then stated he is not suggesting at all that we would dig into bond funds to pay salaries, but it's just a fact that it gives us a little more flexibility going forward that we won't be using our cash reserves if we had a major water main break or a huge piece of equipment go down. Councilmember McGoffin asked if the statement Mr. Cox made about no pay increases for all employees included the increase Fire Chief Spangler requested for the Fire Department with Mr. Cox stating the volunteer firefighters were not included in his earlier statement, since they were not City employees, but Chief Spangler could address that in more detail. Mayor Fenn asked if the City kept the exact same amount of personnel through this next year, meaning we're not looking to hire anyone new, could we provide the same level of service with Public Works Director Brad Hamilton stating it means getting to projects slower, but we could continue with what we're doing now. Mr. Cox then stated another element making this possible is we were able to keep our health insurance under control for another year, adding last year we had a slight reduction in our cost, but it was due to some changes with the HRA plan, and after working on it again this year, it looks like, we're going to hold our health benefit increase to 1.8%. Mr. Cox then stated that is not a final number yet, but is his best guess and he knows the increase will be between 0-1.8%, but will not exceed 1.8%, adding most other entities are looking at 25-30% increases. Mr. Cox then stated the police pension fund has increased from 9.75% to 10.75% and ASRS, for all other employees, went up from 9.6% to 10.5%.

Councilmember elect Chris Moncada asked what increase the employees would see in their health insurance contribution with Mr. Cox stating the increase would be shared since the City pays 100% for the employee's

coverage and 45% of the dependents' coverage, adding the only increase the employee will see is a maximum of 1.8% on the 55% they pay for dependents on their health insurance. Councilmember Maldonado asked about the insurance policy with Mr. Cox stating the policy remains the same with no increase or decrease in benefits, however, they are still attempting to work with the Benson Hospital to be able to utilize them for services such as x-rays and CT scans. Councilmember Maldonado expressed concerns over Healthnet losing their accreditation with social security, and medicare, with Councilmember McGoffin stating that is a totally separate division of Healthnet and it won't affect the commercial side of Healthnet, which is what our policy is.

Councilmember Lambert then noted in the Police budget last year, personnel was budgeted \$1,497,000 but the projected actual personnel cost for the current fiscal year was approximately \$215,000 over that amount, yet the proposed budget dropped personnel costs \$80,000 lower than the last budgeted amount. Mr. Cox then stated the actual costs in the current fiscal year included overtime and overtime is budgeted separate, adding the Police Department has a significant amount of overtime, with most of it being grant funded. Councilmember Lambert then asked about the shop budget with Mr. Cox stating both the shop budget and the cemetery budget had been rolled into the Public Works Department.

Mr. Cox then stated one thing he would like to get out on the table, is this will be the fourth straight year there have been no employee salary increases, and the last increase was a 2.5% cost of living increase on July 1, 2008, however, every job has been saved and Council should be commended for that. Mr. Cox then stated he just thinks it's important for all of us to keep in mind, that going forward we run the risk of getting out of sync with private industry and some other government agencies from a salary standpoint; he doesn't see a problem at this point in time, but he just wanted to point it out. Vice Mayor Lodzinski agreed stating we don't want to lose any Police officers or other staff. Mr. Cox then stated again, he doesn't see a problem yet, but the longer you go with no increases at all, the more you fall behind the rest of the world and it could come and start biting or nipping at our heels at some point in time.

Mayor Fenn asked if there were any other questions or comments with Mr. Cox stating the Finance Department has a slight personnel change since he did not allocate any of the tremendous amount of his time last year to the golf course and has now allocated approximately 15% of his time this year. Mr. Cox then stated he also has budgeted in the Finance Department, the potential of his replacement in January of next year, adding he thinks he will be retiring at some point and while he doesn't have any definite plans yet, he felt it was time to let the Council know. Mayor Fenn thanked Mr. Cox and stated the Council looked forward to working at least half the year with him. Mayor Fenn then stated since the Council covered the items that were scheduled for May 11, the next budget worksession would be held on May 18, 2011 at 7:00 p.m.

ADJOURNMENT:

Councilmember McGoffin moved to adjourn at 6:57 p.m. Seconded by Vice Mayor Lodzinski. Motion passed 6-0.

Mark M. Fenn, Mayor

ATTEST:

Vicki L. Vivian, CMC, City Clerk