

**THE WORKSESSION
OF THE MAYOR AND CITY COUNCIL OF BENSON, ARIZONA
HELD MAY 16, 2012, AT 7:00 P.M.
AT CITY HALL, 120 W. 6TH STREET, BENSON, ARIZONA**

CALL TO ORDER:

Acting Mayor McGoffin called the meeting to order at 7:01 p.m. with the pledge of allegiance.

ROLL CALL:

Present were: Acting Mayor Lori McGoffin, Councilmembers Ron Brooks, David Lambert, Nick Maldonado, Chris Moncada and Al Sacco. Excused was Mayor Toney D. King, Sr.

NEW BUSINESS:

1. Budget Worksession for the City of Benson, Fiscal Year 2012-2013; all revenues and expenditures of the City may be discussed

Acting Mayor McGoffin thanked Jim Grey and George Scott for their handouts, stating Council would take the requests under advisement. City Manager Glenn Nichols then addressed Council stating he would like to note changes including the addition of \$225,000 in the capital projects for UAS airport infrastructure in case the Benson Municipal Airport is chosen for the UAS site, as well as the change in title, salary and expanded duties of the Recreation Assistant/Tourism Assistant at grade 14 to a Recreation Coordinator with a salary grade of 31 and the change in title, salary grade and expanded duties of the HR Analyst I to an HR Coordinator with the same grade adjustment.

Finance Director Jim Cox then addressed Council stating he had given a memo to the Council showing the changes Council had made to the budget this far, adding with the changes Mr. Nichols discussed, the budget now totals \$18,893,324.00 and of significance, the General Fund contingency now sits at \$106,805.00, which is down from \$733,000 last year. Mr. Cox then stated the main focus of this worksession would be the Enterprise Funds and miscellaneous funds, and asked Council if they would like to move forward or discuss personnel salary adjustments with Council consensus being to move forward and revisit personnel after the Enterprise Funds and miscellaneous funds.

Director of Golf Operations Jay Tomerlin addressed the golf course budgets beginning with golf operations changes including an increase to \$10,000 in repairs and maintenance in case it's needed. Mr. Tomerlin stated he has seen a steady increase in revenues, the golf course is in good shape and hopefully the economy comes back and gas prices stays low. Mr. Tomerlin stated he has been working on programs with military discounts and other teaching programs to try and grow the golf course and noted he had cut some costs such as IT costs, which they handle in-house. Council then reviewed the golf course maintenance budget and the proposed overseeding and fuel costs before moving to the food and beverage budget and discussing the costs reductions with shortened hours and other cost saving measures. Mr. Tomerlin noted the increase in uniforms stating he feels this will add professionalism to the staff. Councilmember Sacco then questioned the depreciation of the golf course with Mr. Cox stating the budget process is on a cash basis with cash expenditures and depreciation is a non-tax item, adding the City converts the books to full-blown accrual when the audit is done each year and depreciation will be reflected in the audited financial statements, but not during the fiscal year, adding the principle of budget preparation require everything to be treated as cash in and cash out.

Public Works Director Brad Hamilton addressed the Natural Gas budget changes including the capital items of an on-call truck in case it needs to be replaced, noting the cost of this would be split between the 3 utility departments and the continuation of telemeter installation, adding the goal is not only to make meters read better and account for everything going through them, but to make them electronic so meter readers

can get through them faster and the City doesn't need additional staff to do so. Mr. Hamilton then noted the replacements are at approximately 50%, adding the program halted with the economy, but is coming back, adding the program helps the utilities budgets, noting in water, the unaccounted for in loss rate went from 29% to 11%. Mr. Hamilton then noted the other capital expense of gas detection equipment, adding we knew ours was older equipment, but Southwest Gas actually had our model included in their historic equipment display.

Mr. Hamilton then moved to the Water budget again noting the capital cost of 1/3 of the on-call truck, the telemeters and the Sue Juan Water repairs, adding this is a continuation of the system upgrade, which has been good for the City with the water system being able to have loops installed for flow. Mr. Hamilton then stated the old tanks are gone and they have pulled the pumps with the only thing remaining is to shut the two wells and clear off the drying bed. Council discussed the possibility of utilizing these wells with Mr. Hamilton stating the levels of arsenic are too high and the cost of arsenic removal is cost prohibitive, adding it's cheaper to run new pipelines.

Mr. Hamilton then addressed the Wastewater budget again noting the capital cost of 1/3 of the on-call truck and the replacement of the jet router, adding it was in the previous budget, but he believes it will be done in the fall.

Mr. Hamilton then moved to the Sanitation budget stating he is in the process of preparing an RFP for sanitation pickup, adding the City pays a contractor for sanitation pickup and the County for sanitation disposal. Mr. Hamilton then stated discussions are being held with the County regarding starting a curbside recycling program. Council asked about sanitation rates with Mr. Hamilton stating we will probably look at a rate increase later this year or in the next budget cycle, adding both the pickup rate and the County's rate keep increasing. Council then discussed sanitation trucks leaking oil with Mr. Hamilton stating the current service has informed him they will replace both trucks if they are awarded the RFP. Discussion then focused on the bad debt write-off with Mr. Cox stating this was an adjustment done during the audit to write off some very old fees from utility customers that did not pay their utility bills from as long as 5 years ago, adding the debt collections are processed very well now.

Mr. Hamilton then addressed the Airport budget stating the increase is in anticipation of something happening at the airport, but if nothing does, the budget would be the same as the current year. Councilmember Brooks asked if the budget included everything needed to bring everything up to what an RFI would be looking for with Mr. Hamilton stating he has no idea of what to expect and has included funding to try and move forward with some development if the need were warranted. Discussion then focused on airport issues and grants with Mr. Hamilton stating he should have an RFP out for hangars soon and the next FAA grant would be for a back up generator, adding this project scores high on the FAA list, following FAA grants would be for the parameter fencing and land acquisition to extend the runway. Discussion then turned to the road to the airport with Mr. Hamilton stating he has been lobbying the State and the FAA to agree that the road to the airport is part of the airport, so we may be able to obtain grant funding to assist with the road, adding the State has reinstated the pavement management for airports and we're eligible for an overlay so they'll be out tomorrow to look at that too. Mr. Hamilton then noted the road isn't too bad right now, crediting the street crew and the DOC labor for patching the road and for hauling millings for the County to blade. Mr. Hamilton then stated the airport has really grown a lot and the FBO has done a great job of attracting people. Discussion then centered on the airport capital improvement of a fuel farm with Mr. Hamilton stating there is funding in the capital improvements for that and if the Council were confident the City had the money to spend on it, the project could move forward as far as the budget goes. Council then discussed the runway extension with Mr. Hamilton stating the Airport Master Plan called for the first expansion to be to the west for 1,400' extending the runway to 5,400' followed by an extension of 1,400' to the east, bringing the runway up to 6,800'.

Mr. Hamilton then reviewed the Street budget requesting the addition of \$1,500 for overtime for special events, such as 4th of July, Butterfield Days and monsoon season. Council then discussed the City's pavement management program with Mr. Hamilton stating not all streets have been identified, but the County is currently working on giving us prices for another round of chip seal and we will look at higher

volume streets first. Discussion then moved to HURF funds and street sweeping with City Manager Glenn Nichols stating the HURF amount has increased by about 5% and the street sweeping service tends to fluctuate with different drivers, but he will look at the contract and see if the City can put out an RFP.

Mr. Hamilton then addressed the Transit Department budget going over the capital items of more bus stops and signage, communication equipment, a bus barn and paving and security cameras. Discussion then moved to the cost of the program with Mr. Cox stating the \$37,000 from the City is mostly in-kind services and the budget projects no deficit, since most of the program is grant funded, between a Federal pass through the State grant and a grant from SEAGO. Mr. Cox did note that if the Federal funding ceased, the transit program would have to be looked at very carefully. Councilmember Lambert then asked about the bus barn funding with Mr. Cox stating the grant has been authorized and approved and it's up to the City to move forward with the project, adding the funding would expire in Fiscal Year 2013-2014.

Mr. Cox then addressed the Debt Service budget stating this shows the funding left over from the 2010 Bond, noting in 2010 with the bond, the City got \$2.4 million for unallocated improvements and spent approximately \$400,000 in the last fiscal year and is looking at spending \$955,000 this year, adding this budget shows the money that is there, what we're spending and the amount projected to carry forward next year.

Mr. Cox then addressed the Capital Projects budget noting the major funding source for the capital projects fund is the construction sales tax and it's very difficult to project the amount we're going to receive so rather than putting it into the General Fund, it is put into the capital projects fund and they are used for scheduled capital projects we'd like to complete during the year. Mr. Cox then stated if the collections are up, the City can complete a lot of projects and if they're down, we're not faced with laying off employees, we just slow down the capital expenditures.

Mr. Cox then addressed the Impact Fees budget which projects collections of \$80,000 and has a scheduled transfer of \$40,000 to the Water Department to be used to fund telemeters. Mr. Cox then stated capital outlay reserve is a carry forward balance, which is a reserve we've built up over the years, adding we try to use at least half of this each year. Council discussed the difference between construction sales tax and impact fees with Mr. Hamilton stating construction sales tax is paid on a constructed dwelling, while impact fees are collected on utilities to offset the cost of expanding the infrastructure as needed. Council then discussed the Ocotillo line replacement projects with Mr. Hamilton stating these two projects will have to be completed separately since the utilities are separately on each side of the street.

Mr. Cox then briefly addressed the Grants budget since the Council had already reviewed grants. Mr. Cox noted this budget contains over \$4 million in the event we have the opportunity to get a large grant, adding the \$750,000 airport grant Mr. Hamilton discussed earlier was also in this budget.

Mr. Cox then reviewed the Fire Pension budget stating the General Fund contributes a small amount to the fund each year in order to keep the size of the fund equal to or greater than it was the prior year, adding we are now in a low interest collection period so the General Fund is feeding the fire pension fund a little, but when interest rates come back up, the fund should be self-sustaining, since there is approximately \$600,000 in the fund. Mr. Cox stated interest rates were as high as 6% before they fell, but we are lucky if we can get 2% now.

Council then moved back to the personnel costs with discussion on the employee health insurance rates with Mr. Cox stating there is no new information yet. Mr. Cox then stated the initial bid from Healthnet came back with a 12% increase and our broker has gone to 4 other companies who are in the process of evaluating the City now and he expects to receive a good bid from Blue Cross/Blue Shield, adding the other companies were Aetna and Cigna and they both came back with very high quotes. Mr. Cox then stated last year the premiums increased 1.8%, but over the past 3 years, they have gone down by a net of 3%, adding he believes Healthnet is now trying to play catch up, but the City will not accept a 12% increase. Mr. Cox then stated in all likelihood we will have an increase in the 4-6% range and we can possibly do some creative things to keep the net costs to the employee very close to what it is now.

Council then discussed a cost of living increase with the Council consensus being to include a 3% cost of living increase in the budget. Mr. Cox then addressed the Council stating at 3%, the net effect across all funds is \$125,700, which includes all costs such as payroll taxes and retirement contributions, adding the effect on the General Fund is \$87,900 which has a contingency of \$106,000. Mr. Cox then stated he felt that was a livable contingency.

City Manager Glenn Nichols then addressed Council asking if they would like to meet again to go over the budget with the changes before June 4, when the Council was scheduled to approve the Tentative budget. After a brief discussion with Mr. Cox stating he would have a final Tentative budget to Council by May 25, they agreed they wouldn't need to meet again before June 4 to act on the Tentative budget. Mr. Cox stated the budget he would give to Council would reflect the changes discussed, including the cost of living increase across all funds and a new General Fund contingency of approximately \$19,000. Mr. Cox then noted the Council could move line items and increase the budget at the June 4 meeting, but after the adoption of the Tentative budget, Council could only move line items and decrease the budget up until June 25, when the Final budget was scheduled for action.

Acting Mayor McGoffin asked if there were any other comments or considerations from Council with Councilmember Brooks stating he would like to see advertising increased for the City under economic development, with Mr. Nichols stating in the Tourism Department budget, the public notices and advertising, which was projected to be \$19,700 this year had been increased to \$42,400 to include 2 billboards. Councilmember Brooks then stated he would like to increase the economic development line item in the Community Enrichment budget to \$10,000 with Council consensus being to leave it at \$5,000 and take additional funding from City Promotions if the Council decided to expend more than the allocated \$5,000.

ADJOURNMENT:

Councilmember Sacco moved to adjourn at 8:16 p.m. Seconded by Councilmember Moncada. Motion passed 6-0.

ATTEST:

Lori McGoffin, Acting Mayor

Vicki L. Vivian, CMC, City Clerk