

CITY OF WILLIAMS CITY COUNCIL

BUDGET HEARING
AGENDA ITEM

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MAY 15, 2012
COUNCIL ACTION

I. PROCEDURES:

- A. Call to Order Mayor Moore called the meeting to order at 7:00 p.m.
- B. Roll Call Mayor John Moore and Councilmen Don Dent, Bernie Hiemenz, Frank McNelly, Bill Miller, Lee Payne, and James Wurgler were present and constituted a quorum.
Present from City Staff were Brandon Buchanan, City Manager, Joe Duffy, Finance Director, and City Clerk/HR Director Susan Kerley. City Council Candidate Craig Fritsinger was present.
- C. Adoption of Agenda Councilman Wurgler made a motion to adopt the Agenda as presented. Councilman Hiemenz seconded the motion, and it carried 6-0.

II. WORK SESSION ITEM:

- B. Fiscal Year 2012/2013 Budget Review
Brandon Buchanan suggested reviewing the budget quickly and answering questions, then discussing major issues.

(Page numbers are noted only if comments were made.)

17. Fund Balances

Brandon Buchanan: The goal is to increase the General Fund. One long-term goal is to build reserve accounts.

Craig Fritsinger: Are there any reserves built into the budget now?

Buchanan: There are some small contingency funds, like \$10,000 or \$30,000.

Joe Duffy: Fund Balances on the electric system will increase. We have started to build cash again. At the end of the fiscal year, we are projecting \$2 million in cash. We are obligated to WIFA to build reserves. We need to keep expenses flat. The General Fund needs to be watched carefully. It will start with \$166,000 next fiscal year, but this includes BBB, the Forest Service Building, Community Facilities District, revolving loan, and JCEF loan. The General Fund itself is \$210,000 in the hole. The BBB Fund has a positive balance.

Fritsinger: Even though the electric fund is being built up, it's shown in the budget?

Duffy: Yes, in Enterprise Funds.

18. Summary of Changes in Expenditures within Each Fund

There is a net cut of \$424,121 from last year's budget.

19. Personnel

Mayor Moore: Have you made a judgment yet about personnel?

Buchanan: We can talk about right-sizing departments. This stems from a purely operational view, supported by a tight budget.

20 Revenues

Duffy: There's no property tax increase. The total levy will be the same.

22. Revenues – General Fund

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Duffy: This breaks down revenues in the General Fund. They have been adjusted to actual historical figures with revenues low and expenses high. We can talk about City Sales Tax later.

23. BBB, Forest Service Building and Community Facility District

Buchanan: The BBB has been reduced, but the rest stays pretty level.

25. Highway User Revenue Fund and Grants Fund

Duffy: The HURF estimate was given by the State. Auditors asked that we schedule the grant funds more specifically.

26. Revenues – Enterprise Funds

Duffy: We restated the budget year 2012. This shows how money is moved from bucket to bucket

Buchanan: We can do a quick review of Departmental Budgets:

34 Magistrate

Buchanan: In the Magistrate Court, we are looking at prosecuting services from Mangum, Wall, Stoops and Warden. We asked, and they proposed to reduce their fee by \$15,000. We are also looking at staff issues.

Frank McNelly: They changed their fine scheme, but he believes the City shouldn't count on an increased revenue stream.

Duffy: We just left it flat.

Buchanan: The budget increase in General Administration reflects Brandon Buchanan's salary and the 2013 General Plan Update.

41. Maintenance

Buchanan: We've cut two part-time seasonal positions. The rest of the crew is working harder.

Bill Miller: Does this include additional maintenance for Cataract Lake Park?

Buchanan: The regular maintenance will just be trash and dragging the paths occasionally.

43. Library

Duffy: Part of the Aquatic Coordinator's salary is budgeted for the library.

47. Swimming Pool

Buchanan: Most of the change is the reallocation of part of the Aquatics Coordinator's salary.

49. Police Department

Buchanan: We are still working on animal control costs. We'll talk about P.D. personnel later.

Duffy: \$20,000 is projected for the match for Robyn's facility.

Moore: A vet is moving into town. This may be a reason to not have to go anywhere else.

51. Fire Department

Buchanan: There's a little bit of a reduction.

53. Building Inspection

Duffy: There was a payroll increase when the Building Inspector took over planning duties.

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57. Airport

Buchanan: There's an increase to anticipate grant-matching funds for capital projects. These are all through the FAA and the State. We have some expenses from the lightning strikes.

Duffy: The biggest will be the repair of cracks on the runway and apron.

61. Community Facilities District

Duffy: They increased their self-imposed tax from \$5,000 to \$7,500 each.

71. Street Department

Buchanan: A theme that runs throughout is tackling street improvements. One person will be retiring at the end of 2012, but this position will be filled only seasonally. The Street Department is slow in the winter, and help with snow removal can be gotten from other departments. We may fill two part-time seasonal positions – we will talk about this in the Personnel section.

73. Grant Funds

Buchanan: Construction up Route 66 probably won't happen until 2014. The process of environmental, etc., will take this long.

76. Electric System

Duffy: For about \$150,000, APS' Kent Jones has one project that will shift the load near Safeway. This is the only short-term capital project planned for the year.

78. Water Department

Duffy: The capital project is to upgrade the Cataract pump house.

Buchanan: We plan to upgrade the water dock and the effluent dock to allow multiple users with card readers at both points. We are starting to address some mechanical meters that should have been replaced years ago. There are approximately 1,300 meters in the system, so working on a 10-year cycle, we can replace 130 each year. Because of the inefficiency of the old meters, we have no estimate on what we're losing in revenues. Hopefully, the water revenues will go up.

Don Dent: Are we not being short-sighted by not having more in the contingency fund?

Duffy: We've completed remediation for the brown water at the water plant.

Buchanan: The Wastewater Plant is relatively stable. Landfill tipping fees will be reduced by using Waste Management. We are repairing the de-chlorination system, and that should reduce chemical usage. The tank cleaning program was started this year.

Lee Payne: Are we repainting?

Buchanan: We would need to come up with \$120,000 per year to do that, and we just don't have that next year.

82. Sanitation

Buchanan: We should have a big reduction on tipping fees with going to Waste Management, and we may have a reduction in gas, too.

84. Golf Course

Buchanan: This reflects a \$75,000 reduction.

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Duffy: Marty is doing a good job watching expenses. We left some for used equipment.

Buchanan: We will talk about the Golf Course later.

87. Capital Projects Fund

Duffy: We have allowed for new accounting software that should get us up to at least 2000 technology. We want to leave the \$524,600 that is left as a cushion for now and hold it as a cash buffer for another fiscal year.

90. Bonded Indebtedness

Buchanan: This is like the 900-lb. gorilla – it's a huge number for a City our size.

Duffy: We have a reserve fund. Using the reserve fund, we could pay off the MDA 2002 Bond of \$1,045,000 on January 1 and save the future interest.

Dent: Are you adding other people to the MDA Board since some have died?

Duffy: We've asked Mike Besler and Mike Vasquez. Mike Cowen is still on it. The first WIFA loan pays off in 2017.

94. Lease Purchase Debt

Duffy: There are two leases outstanding: Fire Engine and carts for the Golf Course.

95. Northside Sewer District #2

Duffy

: The Fund will have about \$165,000 after the last two bills are paid by the property owners. Then it will be time to rehabilitate all the lift stations in the District.

Sales Tax Rate Analysis (separate handout)

Buchanan: We have some major issues: The Current state of disrepair of the streets needs rehabilitation. The budget is not sufficient to do anything. We are looking at another year of throwing cold mix in the potholes. Our proposal is to reduce BBB tax by .5% and increase sales tax by the same .5%. There are shops downtown that sell tourist items but are not subject to BBB tax. Other than something like this, there's no money to do the streets.

Dent: What numbers can we get from the Department of Revenue to see where sales tax comes from?

Duffy: He gets numbers each month and can do a sales tax analysis

Dent: What is 1% difference on food tax?

Bernie Hiemenz: We already have food tax at 2%.

Dent: Maybe we should decrease the food tax and increase the retail tax.

Moore: People may be willing to pay an extra .5% to get the roads paved.

McNelly: As a resident, he would be in agreement with that, but he would ask how he would know that the money would be used for streets.

Buchanan: \$1 spent now will save \$8 to protect the investment in streets.

Dent: We need to be able to answer the public's questions. One thing that is critical is to show immediate results.

Miller: It will take a marketing program to make it work. We will need information sheets.

Moore: If we have a program that works well for the community, we will not have any trouble explaining it to the public. It will only cost them \$.50 on every \$100.00 purchased.

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It was the consensus of Mayor and Council that Staff should follow through on this item.

Fritsinger: He thinks this will be a great program if the City shows results.

Impact Fees:

Buchanan: Our hand has been forced by the State: We must do a study or do away with Impact Fees. Trying to get money up front is detrimental to the long term. This cuts out sales and property taxes for years down the road. He would like to just cut them out.

Moore: He's never been an advocate. Not having them might help to get some development.

Dent: He questioned how bills would be paid. Everybody in the community would pay for new infrastructure. All their costs will go up.

Buchanan: Impact fee funds are designed to pay for increased usage, but we have an oversized wastewater plant and adequate water. We could build 50 houses at Highland Meadows and not tax our infrastructure.

Dent: We need a fire station – money we don't have. If there is no new construction, no new infrastructure is needed.

Moore: He agrees on fees for construction but not for building that has no impact on infrastructure.

Dent: If no new fire station is built in the next five years, we will be re-rated, and everybody will pay.

Miller: He believes fees impact commercial development more than anything. We don't have a good housing inventory.

Dent: Can we discount commercial like we did residential? We could cut out areas the State now disallows, and we can change formulas in a study, but how much is a study?

Duffy: A study must be done by August 2014. How about if we reduce commercial fees by 50% in the meantime and start a study in January 2013?

Dent: That would cut it way down, but at least we would have some money to pay for infrastructure.

Duffy: Based on the old impact fee rates, the Railway has about a \$600,000 credit. It has been taken off the books at the recommendation of the auditors.

Personnel

Buchanan: We want to make some strategic changes. In the Street Department we will lose one employee to retirement at the end of 2012. We can hire three to four seasonal workers, utilizing different departments for snow removal. The goal is to do things more efficiently. We could save around \$100,000 per year through strategic changes to staffing levels.

Payne: You would spend money on contracts as more street work is done.

Buchanan: Newer equipment can increase efficiency. The work we hope to accomplish with \$400,000 will not be additional labor for the City. It will be contracted.

Moore: Staffing decisions are up to the City Manager.

Buchanan: We must balance employment with providing service to the community as efficiently as possible.

Duffy: The Police Department needs five full-time dispatchers to cover all their shifts.

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Buchanan: He has oversight over all the City's employees and its dollars, but not over Herman.

Moore: The organization chart shows the Police Department under the City Manager. He agrees with Bernie (Hiemenz) that it should be put back under the City Manager.

Dent: Are you talking about laying off right now? Are we budgeted to eliminate two positions?

Buchanan: If sales tax does not rebound, we may have to look at staffing.

Buchanan: The last item is the Golf Course management contract. He has serious concerns. He's (Brent Redman) addressed enough to meet the requirements of the contract. Revenues have not reached their potential, and we don't have the luxury to allow that. The contract can be terminated for failing to meet its terms. It also allows for a general termination with a three-month notice. We can start next year, bringing in house as much as possible. We will look at it as more of a business. He sees real potential in rental of the facilities and restaurant and bar usage.

Dent: Other public golf courses are struggling. High-end resorts dropped their rates and municipal courses had to decrease theirs in order to remain competitive. Ideally, a Golf Pro runs the course and shop and an F & B person runs the food and beverage areas.

Miller: Would we give notice at the end of the season?

Buchanan: Yes, if that were the decision.

Duffy: This is an accounting issue. When he arrived, people hated the Golf Course. The decision was made that the Golf Course would pay back a \$1,876,000 loan to the City. He recommends that this be reclassified as contributed capital – a standard accounting practice. He recommends transferring this liability to equity. This will better reflect the reality of the financials. First he needs to know if the Golf Course will pay this back. Is there no expectation of repayment?

Hiemenz: This will never get paid back?

Dent: Most of it is not cash – it's depreciation of the asset. If it is operated right, it should make \$200,000 - \$300,000 per year. There will be a push for a new clubhouse, but it should not even be discussed.

Duffy: We will put reclassification as an Agenda item.

Wurgler: He is troubled by the situation at the Golf Course. It should be a really significant asset to the community. The business is being allowed to go into the bucket. Is there any way to hold his (Brent Redman's) feet to the fire?

Moore: Brandon, Don, Doc Wurgler, and I will get together and discuss this issue.

Dent: You will see the numbers jump pretty fast now that the weather is better. The greens are in the best shape possible.

Buchanan: We will meet Thursday at 7:00 p.m. for a short meeting on sales tax.

VII. ADJOURN: Councilman Wurgler made a motion to adjourn. It was seconded by Councilman Miller, and it carried 6-0. The meeting was adjourned at 7:55.p.m.

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Mayor John Moore

ATTEST:

City Clerk

DRAFT