Sierra Vista City Council

Work Session Agenda
April 28, 2015

1. Call to order – 4:30 p.m. in the City Hall, Council Chambers, 1011 N. Coronado Drive, Sierra Vista, Arizona.

2. Debt/Capital

3. Adjourn

City Council work sessions are informal meetings of the elected body designed to allow the Mayor and Council Members to prepare for upcoming regular meetings, have staff briefings on issues, and provide an opportunity for more detailed discussions amongst themselves. The meetings are limited by City ordinance to 90 minutes, and in accordance with the State Open Meeting Law, no discussion can take place on issues/topics that have not been posted on the agenda at least 24 hours in advance. The public is welcome to observe the meetings in person or on Cox Channel 12, but time is not reserved on work session agendas for public comment. The public may, however, address the City Council at their regular twice-monthly meetings or share written views through the City's website, www.SierraVistaAZ.gov.

Work Session Minutes
April 28, 2015

1. Mayor Mueller called the work session to order at 4:30 p.m. in the Council Chambers, 1011 N. Coronado Drive, Sierra Vista, Arizona.

Present:
Mayor Rick Mueller – present
Mayor Pro Tem Bob Blanchard – present
Council Member Alesia Ash – present
Council Member Gwen Calhoun – present
Council Member Rachel Gray – absent
Council Member Hank Huisking – present
Council Member Craig Mount – present

Others present:
Chuck Potucek, City Manager
Mary Jacobs, Assistant City Manager
Jill Adams, City Clerk
David Felix, Finance Manager
Judy Hector, PIO
Pamela Weir, Management Analyst and Budget Officer
Scott Dooley, Public Works Director
Jenifer Thornton, Management Analyst
Jill Adams, City Clerk

2. Debt/Capital

Mr. Potucek stated that this is the second in the series of budget work session that are being held for the coming fiscal year. The first one was to review the revenue projections and now staff is getting into the expenditure side of the house. Today staff will be focusing on debt service and that impact to the budget as well as the capital requests that have been received thus far. At the next meeting staff will move into personnel and then the O&M budget. After that there will be overall budget work sessions before the proposed budget comes out.

Ms. Weir stated that discussed will be a brief recap of the revenue projections followed by debt and capital. The General Fund revenue right now is looking at $31 Million. The HURF estimate has changed slightly since the last meeting because it has increased by $50,000 due to the updated numbers from the State. The $3.6 Million figure includes the franchise fee transfer and grants are still pending.

The refuse fund is still looking health at $6.1 Million and the same with the sewer fund at $6.4 Million. The airport number is lower than past years and it is at $1.1 Million right now and part of the reason for that is that staff is not confident that given the current status that the City will be able to match grants that have been received in the past. The Capital Improvement Fund is the same as it was before at $3.8 Million.

- Debt

Ms. Weir stated that the City finances some projects using debt via short term debt and long term debt. Short term debt financing usually matches the expected life of whatever the City is

paying for. The City does not want to still be paying for a piece of equipment or vehicle after its useful life. Larger projects, i.e., land and buildings have terms of usually 10 – 20 years.

Ms. Weir presented a slide that illustrated what the debt service payments will look like in 2016 and it includes payments from last year.

Council Member Calhoun asked about the debt service by fund. Ms. Weir explained that of all of the debt that the City has to pay for, those payments are going to come out of different funds depending on what the project is and added that the next slide will show what the outstanding debt is, which might help to illustrate it better.

In response to Council Member Calhoun, Ms. Weir explained that if the delta is negative then the numbers are in parenthesis. Mayor Mueller stated that what that means is that if you take the General Fund $187,400 for current year, $137,214 for next year's projection that means that the City will have less debt to pay by $50,086.

Council Member Huisking asked if that debt goes down by $50,000. Ms. Weir stated that the City's payment goes down.

Council Member Calhoun asked if the City is choosing to make that payment or is that the amount that is due. Mayor Mueller stated that is the amount that is due.

Mr. Felix explained that with debt financed over five years, this June 30th the City has a note that is paid off and the estimated note that the City would be putting in place for next year will have an annual debt payment less than the one that is getting paid off this year. That is why there is a decrease in the debt fund. For HURF there are no notes to be paid off this year and so that would have a decrease based on the amount that is being financed as well.

Mr. Felix stated that for instance, there is a $40,000 increase and that is because the City is looking at financing a street sweeper and a pickup truck out of that fund because it is used by that fund. That fund pays the debt service and that gets charged to that fund when he makes the quarterly principle and interest payments.

Council Member Mount asked if the City is on track to maintain a responsible method of paying off the debt or is the City cutting into funds and not paying as much into debt that the City probably should be. Mr. Felix stated that the City has a contract to pay a debt amount. In this fiscal year, if the City is looking at financing it, the City is looking at an ambulance, a street sweeper, the truck and two refuse trucks. The City will enter into a contract with quarterly principle and interest payment. The City has to make those. The lien is against the vehicles and if Council were to choose not to pay those anymore, then the City turns the equipment over to the bank.

In response to Council Member Calhoun, Mr. Felix stated that if the City chooses not to make a payment on a note, the bank can come and reposes the lien vehicle. The amount of the note is set, the quarterly principle and interest is set and the only way the annual debt service changes on everything but the MPC fund is if a note was added or paid off.

Mr. Felix stated on the airport, he is trying to get more detail instead of rounding up to $100, he is rounding up to the $1 and that is why there is a $53 difference because the total payment will be the same amount, the amount split between principle and interest will be different; but combined there is a quarterly payment of $10,000, $20,000 or whatever – that is the quarterly payment that is made and then Finance will charge it out to the principle and interest accounts.

Mr. Potucek stated that there is really no difference if it is looked at similar to the Municipal Property Corporation bonds that are paid off. It is very similar to a mortgage payment and the other is similar to a car loan.

Council Member Huisking asked if a debt has been paid off early if there is an opportunity to save a lot of interest. Mr. Felix stated that three of the bond issues were paid off early and had net present value savings. The City paid off one lease purchase early and that had savings. The City writes all of the lease purchase contracts, where the City has the right to pay it off early, in part or in whole as well.

In response to Council Member Huisking, Mr. Felix stated the City will reject bidders if they put in a prepayment penalty clause.

Council Member Mount asked if when a bond is paid off early and it recoups some money, does the City then roll that into another bond to pay that one off earlier. Mr. Felix explained that the money stays in the Capital Improvement Fund and then used for other capital projects that the City may need to do.

- Outstanding debt, longer term

Ms. Weir stated that there are things like Fire Station Number Three, the Environmental Operations Clarifier, among other things.

Council Member Mount commented that the City is basically going to reduce $4 Million and asked if anymore debt was being added.

Mayor Mueller stated that the City has had a trend as he can remember when the total debt was $44 Million. The City is on a glide path until it reaches zero and whether the City gets there or not is a discussion for the future.

Mr. Felix stated that the DB019 is every specific debt contract that the City has out there, each series of bond issues and three current lease purchase contracts. The 1-9 is the estimated financing for this year. Staff will put the package together depending on whether those refuse trucks come in. Staff is looking at adding $1 Million in June to the current debt. On July 1 staff will increase it to $1 Million, with a $4 Million down payment to a net decrease of $3 Million this year. That is why it is included because technically that $1 Million add would be on June 28th.

Council Member Mount asked why it fluctuates. Mr. Felix stated that the amount that is increased depends on the capital vehicles that the City gets and the capital that is being financed. Last year, the City did not get anything in the General Fund. The ambulance did not come in and it did not look like the City was going to get the two refuse trucks in so the City did not do a financing last year. This year the City is looking at $200,000 for an ambulance, $225,000 for a street sweeper, $250,000 for an F450 and streets and two refuse trucks at about $600,000 a piece and that is where there is the $1 Million. If it is appropriate to finance them over the useful life the City will do it. If the City has the cash to cash them out, the staff will look at that. If the two refuse trucks are not going to come in, he will try to look at other alternatives because if he tries to finance $450,000 he is not going to get too many bids and he is not going to get good rates. They usually want about $1 Million of financing to get the step down in interest rates.

Mayor Mueller noted that the short term debt is what is being discussed. Particularly with the vehicles, it varies year to year and has been based on needs and what can be afforded.

Mr. Felix added that the City only finances vehicles and large amounts of equipment and it matches the life span. Other items, i.e., copiers or computers are not financed.

Council Member Huisking asked about the refi series 2000 bonds. Mr. Felix stated that in 2010 the City refinanced the series 2000 bonds, there was $300,000 of present value savings in that because the interest rates had dropped and the City was paying if off in the same amount of time with less interest. The City freed up cash over the term of the note in the Capital Improvements Fund.

Council Member Mount asked about the debt that would be incurred and the revenue projections. Mr. Felix stated that staff looks at the upcoming budget and vehicles that need to be replaced. There are no monies to cash them out so staff will then look at financing those vehicles over five years. In the governmental accounting that financed proceeds are counted as revenue and then the debt principle and interest as expenditure. The City is basically paying for the vehicle over the life span of the vehicle; but it is only predicated on what the need is. The city manager and finance manager will look at the equipment list and in being conservative will look at the top priorities to fix and replace only. The City puts 10% down, a needed match for the down payment.

Council Member Mount asked how staff projects how much monies the City will have in order to finance the debt over a longer period of time. Mr. Potucek stated that the capital list with the departmental requests will be shown to Council in the following slides. There are a few projects in there that the City will be able to use other sources of funding or outside funding in order to be able to accomplish and those are recommended. All of the capital items, equipment and etc., right now will not be in the budget because there is simply no money based on current revenues to pay for any of them. The things that are projected are the things that are very necessary items that staff thinks may absolutely have to have. The things cut right now that are on the list and would be a priority would be to continue the police vehicle rotation plan; but right now, staff projects no money for that.

- Available Funds Summary

Ms. Weir stated that she will present various slides showing the fund balance go down as the various projections are allocated. Whatever is remaining is what will pay for the City's capital, operations and maintenance, personnel after debt is subtracted.

Council Member Ash asked how the numbers on the chart translate into the bond rating. Mr. Felix stated that the key things that bond rating agencies look at are not necessarily this, they will look at the debt that the City has; but when they look at the bonds, they look at what is the debt service on the bonds versus the City's pledged revenues. The City's financial policy stated that the City must have six times the pledged revenue versus the next year's debt payments. The bond covenant says three; but the City went for six in the policy and they like that, that is good to them. No bond rating agencies will provide a checklist and tell you that if you do certain things, you will move up to the next level because it is very fluid.

A bond rating agency, for every city in the State of Arizona that is heavily dependent on sales tax, is going to want to see a bigger general fund reserve. For cities in places back east, heavily dependent on property tax, because that is more stable revenue, they can have less general fund reserves. There is whole group of things that they look at. One of the items that

are always addressed in the City's bond rating is the dependence on Fort Huachuca. That to them is a concern, like it is for Council and the members of the community.

Mr. Felix stated that when he started working with the City, the City had a BBB rating and over the last 20 years, have gotten it up to the –AA and the advance to that is the City does not necessarily have to buy bond insurance any more to bring it up to the AAA investment grade rating when institutions wish to buy the debt. If you are a BBB, it is not inexpensive.

Council Member Ash asked if it is worth having a policy, as Council considers taxes and tax rate, to reduce interest rates. Mr. Potucek stated that the City does have solid policies in place that the bond rating agencies look at to evaluate the City's situation. An overriding concern for them is how the local economy is doing. Council has been doing the things that need to be done to maintain the bond rating.

Mr. Potucek added that he thinks that in the current economic environment, it would be very difficult for the City to improve their bond rating. The City has been paring down the debt and it is almost just half of what it was before the recession started in 2008 and 2009. The City has not been financing as many things, have been rolling them off and trying to cash them out. The City is trying to make its financial picture look better in order to match the economic environment.

The last bond rating review with Fitch revealed that they were pleased with what Council had done in order to make the City's financial situation look good and they maintained the City's bond rating at that time. The City does have good policies and procedures in place to manage the debt.

Mr. Potucek stated that the City would not like to take on a lot of debt in the current environment.

Council Member Huisking asked if a bond rating is performed only when something is being financed. Mr. Potucek stated that there are two ways that it happens, one if you are going to be issuing a new bond issue. The rating agencies will generally want to review finances at that time in order to attach a rating to that issue when it goes out for sale. If there has not been one for awhile as in the situation that the City is currently in, and then they will call for a periodic review. They won't generally schedule them; but they will say that it is time for an update to the bond rating based on outstanding debt.

- Capital

Ms. Weir stated that the City defines capital expenditures as both those big infrastructure items; but also items over $5,000 that has a useful life of several years. Those types include infrastructure, buildings, major maintenance on capital and vehicles.

Ms. Weir presented a slide of the bare bones capital projects and stated that forthcoming is a slide with all of the capital requests. These are the ones that staff feels confident that can be funded partly because four of the six are carry over from this year. The 7th Street Pedestrian Crossing as well as the 7th Street and Fry Boulevard signal upgrades are projects from the current budget that will carry over to next year through completion.

The street maintenance is the franchise fee that is transferred to HURF every year to fund routine street maintenance based on priority.

The infrastructure development fees are the fees that developers pay to the City when they make developments. That fund will be able to pay for the Coronado widening as well as the Avenida Del Sol widening; but the Avenida Del Sol widening is unknown because it depends if it is completed by June 30. In the event that the ADOT right-of-way permit takes longer, then it will have to be carried over to the next year.

Mr. Potucek stated that some of the money that has been held back for the sale of the property as North Avenue and also the property that was sold this year part of that in the budget will go to towards the Fry abatements that Council recently discussed with the County. The rest of that will augment the development fees to complete the Coronado Widening Project with the signal at Busby and Golf links.

Council Member Mount inquired about the MPO money. Mr. Potucek stated that actually that is the City's share of the MPO funds. There are various options for how that could be used. It could be used for major maintenance on BST but it was not enough to complete the project and so in talking with the MPO administrator, when looking at using some the west side funds from the sales of property, the initial thought was to put that towards North Garden since it was on the west side. However, Coronado did not qualify for the MPO funding so staff is basically swapping the MPO funds and using them on the North Garden improvements project and taking the funds from the sales of the property that has been held back and putting it towards Coronado. It all adds up the same; but staff has had to move from a couple of different funds in order to accomplish the projects next year. These are the recommended projects for the funds available. There may be some other ideas that Council may have as Council goes through the process; but this is the current thinking.

Council Member Mount asked if the MPO funding is originating in the General Fund and then being reallocated to the MPO. Ms. Jacobs stated that it is all federal funding. Mr. Potucek stated that this is what the City gets on an annual basis. There will be additional administrative costs, Davis Bacon wages, environmental assessments and those kinds of things associated with the federal funds to do a project.

Council Member Mount asked if there is a way to break that money and give it to some of the unfunded projects, i.e. police vehicles. Mayor Mueller explained that because it is federal money, it can only be used for certain things. For example the city manager wanted to use part of that money on Coronado; but Coronado did not qualify because it did not meet the federal requirements and that is what the City is playing with other people's money.

Mayor Mueller noted that he hates that phrase because it is tax money paid into and it is the City's money but they encumber it by putting requirements on it.

Council Member Mount stated that the MPO was forced upon the City and asked if there is a way to recoup some of this if the City we are to show that it is not at 50,000 and in fact losing people. Mr. Potucek stated that the City would simply not get the funding.

Mayor Mueller added that the 50,000 is not done by population in Sierra Vista. It is done by the census tracks within the areas that are contiguous. The City would probably still have 50,000 people plus within the now approved area through the MPO and that would not be a viable option. Ms. Jacobs added that unless the City had new census data, which the City would have to pay for in order to have the privilege of doing a census assessment. It would be very expensive and the City would have to wait until the 2020 census data.

Ms. Jacobs stated that she suspects that by the time the City gets to that point, the City would still be at 50,000 or more.

Council Member Mount stated that his line of questioning is more on flexibility as right now flexibility is the City's friend with the budget.

- Capital by Fund

Ms. Weir stated that there is no recommended capital coming out of the General Fund given the current budget situation. The City has under $1.2 Million coming out of HURF, $1.7 Million out of the development impact fees and the $600,000 from the MPO.

Ms. Weir provided a chart with the available funds summary after removing the capital showing the remaining by fund of what is left for O&M and Personnel.

Mayor Mueller requested a paper copy of the last three slides.

Ms. Weir provided six slides detailing all of the capital requests received by department which has been separated out by fund. The types of things that staff is concerned about that cannot be funded include HVAC systems, vehicle replacement for various departments, ADA compliance.

Mayor Mueller voiced his concern about re-pluming the holding cells and stated that if they are not currently being used then it is not an issue. If the City can safely take a prisoner in holding to the facility and do it properly without endangering the officer or prisoner then it is ok; but if they are not treated properly, then there is a liability issue.

Mr. Potucek explained that normally every year when Council gets the proposed budget Council does not see the list because these are the departmental requests which he goes through with the department based on available funds and prioritizes what needs to be done in the current fiscal year and what they believe can be put off until later. Obviously, there is never enough money to fund all of the capital requests that come in.

Mr. Potucek added that this year because there is no money available to do any of the particular projects, he is showing Council the whole list to give Council an idea of the process that staff goes through before they prepare the budget; but based on the current revenues, what the City will have and the balanced budget that he will be presenting to Council, the items will not be provided to Council.

Mayor Mueller stated that he was not questioning Mr. Potluck's judgment but there are some concerns and suggested to Council is that as they go through the list, if there is something that they are concerned with, when they have their individual budget meetings with staff, to express their concerns to the city manager so that he can take those into account.

Mr. Potucek stated that there will be a prioritization process that will need to take place depending on what Council decides to do about the revenue situation.

Council Member Calhoun asked if the skylights are dripping. Mr. Potucek stated that they leak.

Council Member Huisking asked if there are organizations out in the community who might fund some of the capital projects because they love the library or because they have discretionary monies to contribute for naming projects. The City does get donations throughout

the year from people that either wants it to go to a specific place. Mr. Potucek stated that we do live in a generous community, i.e., The Friends of the Library, Friends of the Animal Shelter and certain park projects where the City does receive donations that do allow the City to accomplish some minor capital projects within those areas and those seem to be the favorite ones of the public to contribute to. When talking about sealing the sky lights at City Hall, it is a little harder to get donations for things like that.

Council Member Mount noted that the capital by fund shows that $8.5 Million out of HURF has been lost and stated that he thinks that maybe it is two years of buckling down and doing nothing but economic development and try to get to where the City really stands on its own. Council will need to find ways to get businesses to Sierra Vista because the state will not step up to help and grants will be harder to compete for.

Mr. Potucek noted the $50,000 for HVAC at City Hall. HVAC system replacements are expensive and they happen and when they happen, even if it is not in the budget, it has to be done so then the money has to be taken from other areas.

Council Member Mount noted that the police vehicle rotation was an item that was recommended by the Citizens' Advisory Commission.

Council Member Calhoun asked about the lighting maintenance contract. Mr. Dooley explained that the City has lighting for all of its brown fields with warranties and replacement contracts. That is one of the systems that are going to go out of warranty and it will cost another $26,000 to renew. One lightning strike could be mean that or double that among.

Council Member Mount asked about the length of the contract. Mr. Dooley stated that he believes that it is for ten years and when they come in they replace all of the bulbs and bring it up to standards.

Council Member Mount asked if the City was expecting an $8.5 Million drop off. Mr. Felix stated that the key points to that is the grant side. The connection multi-use grant and the path to higher learning grant combined are about $1 Million.

Mayor Mueller noted that last year included the grants for Wilcox and overlay on Fry.

Mr. Felix stated that last year it was 7th Street and Wilcox and it depends on when they were given to the City. Although, ADOT gave it to us, it counts as revenue.

Council Member Calhoun noted that Council knew it would be less because those grants are done and gone. Mr. Felix explained that the expenditure was there and the revenue was there, even though it was not necessarily the City's project, it had to be booked because it becomes the City's asset at the end.

Mr. Potucek stated that the refuse and sewer funds being enterprise funds probably stand a better chance at getting some of the projects funded because they are supported by the payers' sewer and refuse fees. Staff takes a look at what are the revenues in and expenditures for the coming year and then makes an assessment as to whether or not the projects can be included without the Council needing to consider a sewer and refuse rate increase. If they can be fit into the budget without that, generally staff will try to find a way to recommend them to Council; but sometimes it may involve some financing in terms of the heavy equipment. Some of these projects are basic maintenance and sewer line projects that he is very reluctant not to do those and staff will try very hard to get those in.

Ms. Weir noted that in the Airport fund there is the $2 Million taxiway project that would actually only require $90,000 of City funds to be completed; but at this time staff does not feel that they have that grant match.

Council Member Mount asked if the City is in danger of running into an FAA Home Land problem if the City does not pay for the camera upgrades. Mr. Dooley stated that potentially yes and explained that a good example of this is the incident that took place about four months ago where an individual went through the airport security and poured gasoline on some of the aircrafts along with other damage; however, the cameras were not operating and did not pick it up.

Mr. Potucek pointed out that a $2 Million federal grant for Taxiways G and J reconstruction is a major construction project that is not only a help to the City's airport but also the Fort Huachuca. It also employs a lot of people while the construction project is going on. In the past, the City has not had problems coming up with the very minor match dollars necessary to bring a large scale project like that and this year right now the funds are simply not there.

Mr. Potucek stated that he hates not spending that money in the community and he would like to try to do it if possible.

Council Member Calhoun asked if the grant is waiting to be taken. Mr. Potucek stated that it is there for the taking and he thinks that it will be available for awhile; but there are other projects that the City can do that in the City's Airport Master Plan. Pushing them out, the City is pushing out the ones that could be done in the future.

Council Member Calhoun asked which ones are most likely to benefit the City's economic development plans or create jobs in the community, good criteria to be used. Mr. Potucek stated that absolutely goes into the thinking when making recommendations; but right now, there is no money to do any of them.

Council Member Mount asked Mr. Potucek if when he states that the City has no money right now, is that based off of the current budget projections as if the City was to continue on from last year. Mr. Potucek stated yes with the additional cost of the PSPRS contribution and the class comp plan, which is trying to budget around. That is eating into everything else that the City is doing. Council will see cuts in order to balance the budget based on current revenue projects and these won't be the only cuts Council will see going forward. The City will probably need to freeze a number of open positions in the budget as well as cutting back on a lot of O&M expenses in order to make the budget balance.

Council Member Calhoun asked when discussion would take place regarding the CAC recommendations. Mayor Mueller stated that it will be addressed during the discussion for next steps.

Mr. Potucek stated that staff went over the grant requests for the transit system and it actually shows increased expenses. The City is looking at about half a million dollars in general fund subsidy the way that the grant currently sits.

Ms. Weir stated that on May 19th staff will go over the personnel budget and it will include the class comp adjustments. On June 2nd staff will have the largest piece, O&M budget, and if staff is on track Council will receive the budget book on June 3rd.

Ms. Weir stated that there will be up to three budget work sessions on June 15, 16 and 17.

Council Member Mount noted that Council has not had any discussions on revenue. Mr. Potucek stated that not on new revenue.

Council Member Mount asked when those discussions would take place. Mayor Mueller stated that on June 15, 16 and 17.

Mr. Potucek stated that right now staff is building a budget based on current revenue policy and the expenses that staff knows that the City has.

Mr. Potucek also stated that he will say this at the Economic Forum too, when he presents Council with the budget, it is not going to be pretty and no one will like. At that point, knowing that no one is going to like it, Council has to look forward at maybe what can be done about it. Right now, his thinking is to give a couple of different options in terms of revenue starting with dollar amounts. Then Council will have to look at how to raise that money and those will include CAC recommendations and any recommendations that he might have to do that.

Council will then have to decide if they want to increase the budget and then how they want to do it. Those will be two decision points. The third will be what out of all the things that were cut, in order to reach that original balanced budget provided to Council, would Council like to see restored as a result of raising whatever revenue amount that Council may decide that they may want to do or decide to go with the original balanced budget. Staff will also have recommendations in terms of what will need to be restored, i.e., there are a number of opened police officer positions that will probably be frozen as well as a number of other positions and items in O&M. Those would probably be the first things that staff would be recommending to be restored if the Council determines to increase the revenues for the operation of the City. Then Council can start looking at some of the other maintenance and capital items that the CAC and others are recommending, if Council cares to restore those items. There will be recommendations for each step of that process.

Mr. Potucek stated that he does not believe that it will be a one-day budget work session like in the past. Mayor Mueller noted that in fact it may take additional time.

Council Member Calhoun asked if there is a date set for when the tentative budget is approved. Mr. Potucek stated that it needs to be approved during the first meeting in July. Ms. Weir added that it is on June 25th. Mr. Potucek stated that Council can also have a special meeting if needed.

Council Member Mount asked that depending on how this shakes out, in the future how much of the CAC recommendations are even viable in order to come forward given the actual fiscal situation, the normal conditions that Council is dealing with.

Council Member Mount stated that it may be, and he knows that there were circumstances that caused this to start later, that Council would have spent 11 weeks going through CAC deliberations that potentially have really no mathematically bearing on the budget.

Mayor Mueller stated that it is not necessarily true and one of the comments that Mr. Potucek made was the police officer positions is one of the items in the CAC report. Council may not be able to do everything that the CAC recommended; but it is a good starting point when Council talks about what needs to be added back and how far do revenues need to be changed to achieve those things.

Mr. Potucek stated that he feels that their time was well spent particularly on the revenue side and the recommendations that they made. They took a look at all of the departments and obviously they had to absorb a lot of information on the expenditure side as well and saw a lot of things that they would like to see Council do on behalf of the community. It is just that the fiscal situation is such that Council is not going to be able to get to all of them.

Mayor Mueller stated not all of them this year.

Council Member Mount stated that it is true; Council can always come back and re-visit them.

Council Member Calhoun asked if the City's debt proportionately correct for what they say percentage-wise to the City's income/revenues. Mr. Felix stated that the bonded indebtedness of the report that the State came out, they compiled the debt, the City is below average and below medium in for the City's per capita debt in Arizona. Mayor Mueller noted that in this case, this is where the City wants to be. The City does not want to be above.

Mr. Felix stated that this is what they look at and if Council looks at the PAFR, 8%, 9% of the total expenditures of the City are in debt service and that is a nice low conservative number. The PAFR was distributed to Council.

Mr. Potucek stated that staff will continue to work on it and the next session is on the personnel budget, a major component of the budget and at that time will also discuss the class comp plan and the ramifications as well.

Council Member Huisking noted a housekeeping issue about Tuesday work sessions meeting time. Ms. Jacobs explained that only the work session with North Star will be at 4:00 p.m. since they are out of town; but the rest will all be at 4:30 p.m. for Tuesday work sessions.

3. Adjourn

Mayor Mueller adjourned the work session at 5:31 p.m.

Mayor Frederick W. Mueller

Minutes prepared by:

Maria G. Marsh, Deputy City Clerk

Attest:

Jill Adams, City Clerk

FY2015-2016 Budget
April 28, 2015

Capital and Debt Expenditures

Pamela Weir, Management Analyst
David Felix, Finance Manager

Agenda

- Revenue Recap
- Debt
- Capital Expenditures
- Unfunded Capital and Maintenance Projects
- Next Steps

Revenue Recap

- General Fund $31,393,865
- HURF $3,650,000
  - Increased by $50,000 due to updated State numbers
  - Includes Franchise Fee Transfer
  - Excludes all pending grants
- Refuse $6,145,123
- Sewer $6,445,473
- Airport $1,145,157 (excludes grant revenues)
- Capital Improvement Fund $3,802,201

Debt

- The City finances certain capital projects, depending on a variety of factors i.e. type of project, project cost, expected life
- Financing term matches the expected life of the equipment, usually five years for equipment and 15-20 for land and buildings.
- Two types of debt:
  - Bonds (long term)
  - Lease purchase (short term)

Debt Service By Fund (P&I)

Fund	FY 2015 Budget	FY 2016 Budget	Change
General	$187,300	$137,214	$(50,086)
HURF	$76,800	$116,771	$39,971
Refuse	$568,810	$435,043	$(133,767)
Sewer	$679,700	$674,668	$(5,032)
Airport	$75,400	$75,347	$(53)
Park Dev	$-0-	$126,631	$126,631
SVMPC I&R	$3,445,400	$3,430,570	$(14,830)

Outstanding Debt

	July 1, 2015 Bal.	Prin. Pyt.	June 30, 2016 Bal.	For
DB009	12,030,000	1,760,000	10,270,000	FS#3, PD Expansion, etc.
DB012	6,175,000	930,000	5,245,000	Refi Ser 2000 Bonds
DB013	6,885,960	493,900	6,392,060	EOP Clarifier
DB014	422,728	209,803	212,925	Vehicles & Equipment
DB018	2,222,073	414,605	1,807,468	Park Land, Vehicles & Equip.
DB019*	1,037,700	195,500	842,200	Vehicles
Total	28,773,461	4,003,808	24,769,653	

* Estimate

Available Funds Summary

FY 2016	Revenues	Debt Service	Remaining for Capital, O&M, and Personnel
General	$31,393,865	$137,214	$31,256,651
HURF	$3,650,000	$116,771	$3,533,229
Refuse	$6,145,123	$435,043	$5,710,080
Sewer	$6,445,473	$674,668	$6,445,473
Airport	$1,145,157	$75,347	$1,069,810

Capital

- Capital expenditures are items or projects in excess of $5,000 that have a useful life of several years.
- Types of capital:
  - Infrastructure
  - Buildings
  - Major Maintenance
  - Vehicles

FY 2016 Capital Projects

HURF

- $225,000 - 7th Street Pedestrian Crossing
- $250,000 - 7th Street and Fry Blvd signal upgrades
- $700,000 – Street Maintenance

Infrastructure Development Fees

- $1,200,000 - Coronado Widening
- $500,000 - Avenida del Sol Widening

Metropolitan Planning Organization

- $600,000 - North Garden Improvements

Capital By Fund

	FY16	FY15 Budget	Change
General	-0-	$ 1,959,446	$ (1,959,446)
Highway User Revenue Fund	$1,175,000	$ 9,702,933	$ (8,527,933)
Development Impact Fee Fund	$1,700,000	$2,000,000	$(300,000)
MPO Fund	$600,000	-0-	$600,000

Available Funds Summary

FY 2016	Revenues	Debt Service	Capital	Remaining for O&M and Personnel
General	$31,393,865	$137,214	-0-	$31,256,651
HURF	$3,650,000	$116,771	$1,175,000	$2,358,229
Refuse	$6,145,123	$435,043	TBD	TBD
Sewer	$6,445,473	$674,668	TBD	TBD
Airport	$1,145,157	$75,347	-0-	$1,069,810
Impact Fee Fund	$1,200,000 (Carryover)	-0-	$1,200,000	-0-

Unfunded Department Capital Requests

- General Fund
  - $61,000 - Structural Phase III N/A Cove Aquatic Center
  - $70,000 - Exterior Paint Ethel Berger Center
  - $15,000 - Floor Covering Fire #1
  - $2,000 - Skylight Sealing City Hall
  - $5,000 - Skylight Sealing Pedro Castro Center
  - $45,000 - Re-Plumb Holding Cell Police Station
  - $15,000 - Re-roof Restrooms Veterans Memorial Park
  - $20,000 - Windows Library
  - $18,000 - Fire Panel System Airport
  - $25,000 - Fire Panel System OYCC
  - $50,000 - HVAC (small < 7 ton)City Hall #1 & #7 2
  - $5,000 - Switch Gear 30 City Hall
  - $15,000 - John Deere Gator XUV 625i Utility Vehicle
  - $ 39,000 Ditch Witch Model No. FX25 Vacuum Excavator - Trailer Mounted

Unfunded Department Capital Requests

- General Fund
  - $593,000 for Police vehicle rotation
  - $6,500 - Carpet Extractors
  - $50,000 - Generator Connectors at Ethel Berger Center
  - $5,500 - Soldier Creek Park ADA Compliant Path
  - $3,000 - Bella Vista Park Tot Turf Replacement.
  - $80,000 - Soldier Creek Park Tot Turf
  - $260,000 - Neptune-Benson Defender pool filters
  - $45,000 - VMP Playground #2 Shade Structure
  - $16,000 - Purple Heart Park Shade Structure
  - $65,000 - Len Roberts Park Shade Structures
  - $40,000 - Bella Vista Park Shade Structure
  - $50,000 - Nancy Hakes Park Shade Structures
  - $10,500 - Gallatin water powered chair lift for the Cove

Unfunded Department Capital Requests

- General Fund
  - $70,000 - Len Roberts Park (East & West) Tot Turf Replacement
  - $130,000 - Pavilion Electrical (Legal Settlement)
  - $40,000 - Becs System 7 Chemical Controllers at The Cove
  - $26,000 - Renewal of Arbenz "D" Field Musco Lighting Maintenance Contract
  - $60,000 - Replacement of Slide in VMP Playground #2 - Slide has Priority 1 hazards. Addition of Tot Turf to replace sand surfacing.
  - $60,000 - Replacement of Slide in Summit Park - Slide has Priority 1 hazards. Addition of Tot Turf to replace sand surfacing.
  - $3,000 - Structural Engineer inspections of concrete in mechanical room of The Cove.
  - $35,000 - Water Slide Refinish
  - $5,500 - P.H.Park - Playground Panels
  - $ 3,500 - Chaparral Village Park - Install 4' chain link fence

Unfunded Department Capital Requests

- Highway User Revenue Fund
  - $240,000 - 1999 Bucket Lift Truck Replacement #SV306
  - $52,000 - 1997 pickup, 1 ton replacement #SV 170
  - $10,500 - Conflict Monitors
  - $6,000 - Signal Head Replacement
  - $20,000 - Compressor- #217 Replacement
  - $40,000 - 48 LED Parking Lot Lights Replacement Program
  - $68,000 - Signalized Intersections LED Replacement
  - $200,000 - 2002 Tractor Kobota 4x4 Replacement #SV238

Unfunded Department Capital Requests

- Refuse
  - $620,000 - (2) Replacement ASL side loaders
  - $310,000 - New 8th route ASL side loader
  - $3,500 - On Board Scale for Roll Off
  - $175,000 - Loader 4 Wheel Katmatsu
- Sewer
  - $285,000 - Truck Heavy, Sewer Vac SV 211 Replacement.
  - $60,000 - Joseph Pl/Carmelita Dr.
  - $75,000 - S. 3rd St
  - $30,000 - Tacoma/7th St.
  - $50,000 - PDS Connector
  - $435,000 - Wheel Loader, 4WD, 3 yd bucket, full cab
  - $10,000 - Quicklock Sewer Line Repair System.

Unfunded Department Capital Requests

- Airport
  - $250,000 - Camera and security upgrades.
  - $115,000 - LED Taxiway and Runway Retrofit Project ($38k/year long term energy savings)
  - $2,033,000 - Taxiway "G " and "J" Reconstruction (FAA, Airport Grant) **$90,875 City Match.**
- Transit
  - $170,000 - Replacement Bus #354 International 20 Passenger
  - $170,000 - Replacement Bus #355 International 20 Passenger (Sale of old vehicle to fund grant match)
  - $52,000 - Replacement Crown Victoria #93 Transit Pool Vehicle. This vehicle will be replaced with a 1 ton crew cab
  - $60,000 - Automated Passenger Counter Equipment and Software for 13 Busses
  - $14,000 - Internal LED Display and Stop Annunciator for 13 Busses

Next Steps

- Personnel Budget Presentation
  - May, 19, 2015, 4:00 PM
- O&M Budget Presentation
  - June 2, 2015, 4:00 PM
- Tentative budget on track to be distributed by Wednesday, June 3, 2015
- Final Budget Work Sessions
  - June 15, 16, and 17, 4:00 PM