Sierra Vista City Council
Work Session Minutes
May 2, 2016

1. Call to order – 3:00 p.m. in the City Hall, Council Chambers, 1011 N. Coronado Drive, Sierra Vista, Arizona.

Roll Call

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

Others Present:
Chuck Potucek, City Manager
Mary Jacobs, Assistant City Manager
Adam Thrasher, Police Chief
Ron York, Fire Chief
Sharon Flissar, Public Works Director
Victoria Yarbrough, Library and Leisure Services Director
David Felix, Finance Manager
Linda Jones, Management Analyst

2. Discussion regarding FY 2016-2017 Budget

Mr. Potucek stated that this is a preview of the budget and reported that the General Fund Budget was balanced on Friday, April 29th. This presentation will be an overview of what the General Fund looks like in its current balanced state and the Capital Improvements Fund as well. The revenues side will also be presented along with major issues that were faced on the expenditure side. It is a tight budget and a lot of accounts had to be scrubbed in order to get it to this point; but he believes that it is a solid budget.

Ms. Jones stated that the recommended FY 2017 General Fund Budget is balanced. She thanked the City departments, directors and city managers for their assistance in working with her and Mr. Felix to balance the budget.

Mayor Mueller noted that this is a recommended budget and not the final budget. The revenue side is locked in; but the expenses are what will need to be deliberated. The budget book will be available on or about May 20th, which will need to be reviewed as accounts have been scoured. Council Members will need to review it and see what may need to be added. When Council Members have their one on one meeting that will be the first time to bring it up to staff if something needs to be added back that is missing and Council Members feel that it is required.

Mayor Mueller also stressed that this will be the time to put staff to the real test and ask hard questions. Once that process is done, Council Members will need to discuss those items that

they may want to add back; but they need to figure out where they will get the revenue from, which means that something will have to be cut.

Mayor Mueller added that when Council Members proposed a change, they need to look at addressing both revenue and the cuts that will get them the revenue as well as the program. Council Members need to be able to talk to each other and that will occur during the budget process in detail.

Ms. Jones stated that the Agenda is comprised of the General Fund Revenue, personnel changes and health care, Capital Improvements, other initiatives and issues, next steps in the budget process and a question and answer.

The General Fund is the largest City fund comprised roughly about 45 percent of the City budget and it pays for what most people think of as City government. Some of the services include administration, Police Fire, Leisure and Library, Community Development, Fleet, Facilities and Engineering.

Revenue sources include local sales tax, state sales tax, franchise fees, building permit fees, vehicle license tax, local property tax, State Shared Revenue, business license fees, intergovernmental revenues and fee for service, i.e., ambulance and leisure.

Ms. Jones presented a chart of the General Fund Revenue Summary. Mr. Felix stated that this is a summary of the locally generated revenues and the State revenues. This does not include the grants, local government payments, fund transfers or note proceeds. Presented are the funds that Council has control over with the fees and services and rates charged.

Mr. Felix presented a chart of the breakdown for local revenue and stated that the sales tax is being kept level as Council has seen from the tax report, The City is one percent up and the largest fall is the construction sales tax. Staff did estimate the sales tax without construction. The construction for the last two years, since the City had a growth

Council Member Mount stressed that he would like a hard copy of the presentation as he could not download the file from the reading room. He also asked if the work session was being broadcasted. Mayor Mueller asked to have Council receive the presentation in hard copy and noted that the signal is down; but the work session is being taped and it will be rebroadcasted later on in the day.

Mr. Felix stated that through the last week of March, the City had five residential housing permits. Last year through the end of March, the City had 15 residential starts. This is more than just the hospital and a couple of other projects off the table. Total construction in Sierra Vista is down and averaging $80,000 to $90,000 a month less than the prior fiscal year and the main reason for the shortfall. If it was not for the sales tax increase, a decrease would be seen in the current year sales tax.

In response to Mayor Mueller, Mr. Felix stated that the construction sales tax is the big drag on the overall sales tax revenues this year. Property tax revenues, if keeping the tax rate the same, is at $0.1136 per $100 assessed value. The assessed values did drop again and that is why there is a decrease.

The fees in permits are from business licenses, construction permits and there is a shortfall in revenue as well. Community Development is not seeing any changes in building permit issues.

Council Member Gray asked if the fees in permits include business licenses as the City recently decreased the fee. Mr. Felix stated that this year it is level because the fee was decreased two years ago. Next year is the same as the current year. Mr. Potucek added that the losses were on the construction. Mr. Felix noted that it was on the building permit side.

Mr. Felix stated that the main reason for a change in the charges for service is the increase due to the Fire Department's Transport Crew and they are estimating $400,000 in revenue.

There is a loss on fuel sales because the City is selling it for cost plus a markup, with the decrease in the buy price, there is also a decrease on the revenue side. There are some asset sales and there is more revenue expected.

Other fund services are when the engineers and grant people work on grants for other funds. There is a charge out that is allowable with any grant to recover some of the costs for their salary. It is easier to do a direct charge for the actual time spent on it versus trying to move money around and pay for it from different funds. This is the easiest way to handle it.

All other includes the miscellaneous revenues, investment income, donations, and other fees that are just a small portion.

Council Member Gray asked about the sale of assets. Mr. Felix explained that as the City rotates the crown Vics out as part of the Fleet Rotation Program, the first thing looked at is whether that car can be moved to another area. The ones that are further down the chain get moved out to auction as well as the ones that have been used for parts. There can be nonfixed sales of other things that departments get rid of, i.e., desks, chairs and etc. These are all put up on a public auction sales site off of which the City has received better bids.

In response to Council Member Calhoun, Mr. Felix stated that the amount is an estimate.

Mr. Felix stated that these are the ones in the General Fund because if the City sells a refuse truck that goes into refuse and if a bus is sold that has to go into transit.

Council Member Gray added that RICO funds would go into the RICO Fund.

Mr. Felix stated that charges for services are:

- General Government is for copying, fines and etc.;
- The bulk of public safety is the ambulance revenue;
- Community Development is site reviews and etc.;
- Most of Public Works is the GMC maintenance, fuel sales and part sales to other agencies;
- Leisure and Library is classes and events.

The big reason for the decrease in Public Works is because the original estimate was at $4 per gallon and since it is being bought and sold at $2 per gallon, great save in money; but there is also not much revenue since it is being sold at $2 instead of $4.

Council Member Gray asked if the City sells fuel at the same amount that it costs. Mr. Felix stated that fuel is sold at the same amount that it costs plus a markup, a nickel a gallon markup. It is sold at $2.05.

The majority of intergovernmental revenues is the State shared sales tax, income tax, vehicle license tax and includes grants. Local government payments include money from the County,

Fort Huachuca for the librarian and COLA paying for the lobbyist. These numbers are still estimates as there are still census going on in the Valley for about eight different cities and the numbers are expected in May. The numbers that the League provided are based off of DES estimates; but this is the best case scenario because a City would choose which is best whether it is DES or the census numbers. Staff has to wait to see what the difference would be.

Mayor Mueller asked which specific funds are most affected by State shared revenue. Mr. Felix stated that those funds are sales tax and income tax because it is the City's population proportion.

In response to Mayor Mueller, Mr. Felix stated that BLT is affected; but the City does not use their estimate because the City has never gotten close to their estimate. They always estimate about $200,000 higher than what the City gets. It is just like HURF revenue as that estimate has historically been optimistic.

Mayor Mueller asked if $9 Million out of the $12 Million is yet unknown. Mr. Felix stated that this is an estimate from the League.

Council Member Mount asked about the course of action if it comes in lower. Mr. Felix stated that staff would get together with the City Manager and a course cannot be made until they look at the whole thing. Mr. Potucek added that cuts would take place in order to rebalance.

Mr. Potucek stated that he is anticipating more in the range of the $50,000 so more cuts will need to take place.

In response to Council Member Mount, Mr. Potucek stated that there is a prioritized list.

In response to Council Member Gray, Mr. Potucek stated that he is speculating that it is in the $50,000 range. Mr. Felix added that when Phoenix was fighting against the cities being allowed to this that shows that Phoenix expects to lose as well.

Ms. Jones stated that there are not a lot of changes in the 2017 budget and highlighted on the following:

- Personnel

Maintaining the integrity of the Class/Comp Plan with a 2 percent salary increase added to all eligible employees. Reinstatement of two fire fighter position, a procurement contracts administrator and a new position as peek hour EMS crew. This is a two-man EMT crew projected to bring in revenues of $400,000. It is a transportation system where they transport for life care and nursing care to medical appointments.

Council Member Gray asked if the 2 percent salary increase includes the exempt employees as well as the nonexempt employees. Mr. Potucek stated that is correct and the $433,189 is for all funds and the General Fund is less than that. Council Member Mount asked if this is in jeopardy if the initial projections come in less. Mr. Potucek stated that it has been in jeopardy throughout the entire process. Initially when he thought that the City was going to lose more potential State Shared Revenue, he felt at that point that he would not recommend any raises whatsoever. After going through all of the accounts and trying to identify truer costs to last year's budget, the money was in there to be able to do the raises. A lot of O&M and part time accounts were cut in order to get to this point.

Ms. Jones pointed out that the amounts for the reinstated and new positions include the full burden.

Council Member Mount asked if the two fire fighter positions are for the peak EMS. Ms. Jones stated that those are additional. Mr. Potucek added that those two fire fighter positions were the positions that the Council cut out of last year's budget and he is recommending to have reinstated this year.

Council Member Calhoun asked if the positions man the Care Crew. Mr. Potucek stated that these are normal fire fighter positions that would go into the regular shift rotation. The transport crew would be added on top of that. CARE is already manned by existing staff.

Council Member Gray asked if the positions are being added back in because the City is spending quite a bit of money on overtime and this will cut down on that. Mr. Potucek stated that she is correct and there were some changes that the City went through with fire districts and it is important to have staff available to cut down on overtime and to cover all of the shifts.

- Health Insurance

Ms. Jones stated that the eight percent premium increase is the recommendation by the City's healthcare consultant in order to keep plan healthy and assure that the plan can remain self funded and grandfathered. The $154,000 is the City's increase.

Mayor Mueller asked if eight percent is what the City pays for health insurance that covers the employees. Mr. Potucek stated that he is correct.

Mayor Mueller asked that if the spouse or children are covered under the plan that there is an eight percent that the employee will have to cover on their own. Mr. Potucek explained that increases to dependent care, spousal care or both will have to come out of employees' pockets.

Council Member Gray asked if it is anticipated that it will also be eight percent. Ms. Jacobs stated that the employee's share for the employee and spouse is going from a monthly cost of $294 to $400. For employee and multiple children the fee is going from $210 to $273 per month and for an employee plus family it is from $390 to $586 per month.

Mayor Mueller stated that is why he asked the question because even though the employee may get a two percent raise, when talking about adding an additional cost for health care, that raise may either go away or they may be in the deficit. There needs to be a way to make sure that the employees understand that. Ms. Jacobs stated that she is in the process of writing a detail letter to all employees and they were notified on Friday that this was coming; but at that time staff did not have the details of the cost.

Council Member Mount asked what is causing the premium increases. Ms. Jacobs stated that according to consultant they have been doing an actuarial analysis and they look for anomalies. They saw that it is simply an increase in the overall cost to the plan.

Council Member Mount asked what is driving the increase. Ms. Jacobs stated that the national rates are going up eight percent and the City's rate is going up eight percent more. Mayor Mueller stated that the problem is that as the City works through the Affordable Care Act, which is happening in the industry too, and as insurance companies bail out as the costs rise because more payers are on the system; the insurance companies in order to be able to make

a profit are raising their rates. That has affected everybody and it will probably be the same for the next couple of years until the Affordable Care Act works itself through the system and it will be more expensive no matter how it is sliced.

Mr. Potucek stated that costs are getting passed along and hospitals, doctors, insurance and etc. are all going skyrocketing and they are hitting the City. The City is one of the few grandfathered plans in the State and in order to maintain that status so that the City does not fall under all of the provisions of the Affordable Care Act, the City has to make these changes. There are changes in deductibles and co pays; but there also increases to the benefits on the wellness side. There will be some help for the employees; but the premiums and co pays will have to go up for the City to maintain the grandfathered status. The way that the Act is written according to the consultant it will only be a matter of time before the City loses its grandfathered status. He is trying to forestall that as long as it can be.

Council Member Mount asked what happens if the City loses that status. Mr. Potucek stated that major changes in premiums and coverage would occur. Council Member Mount asked if changes means increases. Mr. Potucek stated that he is correct.

Council Member Gray asked if the City would have to shop around for a new service. Mr. Potucek stated that the City would have to go out and find new carriers.

Council Member Gray noted that Mayor Mueller touched on what she was thinking about. It is a lot more than two percent. The City is giving a two percent raise; but the employees will be paying more than that out of their pocket and asked that in lieu of a two percent rise what would be the difference in the City absorbing the difference of the cost.

Mr. Potucek stated that these premium increases hit the General Fund because the City covers that increase for the employees; but not all employees are affected by it so it is does not hit everyone equally across the board. The other issue too is that the health insurance fund is self funded as a separate fund and it is not the General Fund. The money in there is from the City and employee premium dollars to cover that fund. Ms. Jacobs explained that what was done was to take the premium at 100 percent and shifted five percent more to the employee than to the City. The employee and spouse premium is $895 and the employee share of the particular cost is going to be $400. City is still picking up more than 50 percent. For the employee and children the total premium is $770 per month and the employee is picking up $273 per month and for an employee and family, the total premium is $1,227 per month and the employee is picking up $586. The City is very generously subsidizing the rates and this needed to occur for quite some time but had not because the employees had not received raises. The City is at an important cross road.

Council Member Calhoun asked what builds the employee insurance pool. Mr. Potucek stated that it comes from the City and out of the employees' paychecks. Ms. Jacobs added that money is put in from one pot of money into this fund and it is set up as a trust fund, the employees' benefit fund. The cost for an employee is $513 and the City pays 100 percent of the premium each month and it goes into the employee benefit trust fund as they would as an insurance carrier. All of the costs of the plan are taken out of that fund, i.e., third party administrator, claims, prescription costs, dental and etc.

Council Member Calhoun asked if the trust fund builds interest. Ms. Jacobs stated that it does; but it is small. Mr. Potucek added that the City is not earning allot of interest. There is $4 million in reserves in the fund and that is important because if there are catastrophic illnesses

or a larger number of claims, the City can dig into that. He wants to have a stable growth in that account moving forward to be able to cover those eventualities.

Council Member Mount noted that he likes the direction that Council Member Gray was headed in offsetting some of the costs. It is important for Council to know how much it is costing the City annually including the subsidy and what the employees are expected to pay out. In the short term while the City tries to figure out the increase in health cost, there could be something else in the budget that is not that much of a priority as the employees' health benefit that can go away and off set it because he agrees that the City can give the employees a two percent increase; but if their premiums go up, then they are still at a net loss.

Council Member Gray noted that it is not just premiums going up, it is co pays, the cost of medicine and that is not anything that the City can control; but that is happening as well.

Mr. Potucek stated that in general there will be a co pay increase but the Affordable Care Act limits how much co pays can be increased and those will be generally in the $5 range. They are not significant increases. Council Member Gray noted significant for some.

Ms. Jacobs apologized and stated that she provided some incorrect numbers because she was looking at the total monthly premiums, which is employee and children, employee and family and the employee's premium combined into that. The employee only premium as of July 1 is going to be $513. Employee $513 and spouse $503 is the premium with the employee paying $400 of that. A spreadsheet will be provided to Council with the information and detail.

Council Member Mount noted that the critical piece is the difference and how much more is the employee expected to pay every month as well as a projection of the sum that everybody would be expected to chip in. Ms. Jacobs stated that the wellness program is increasing from $500 to $750 per year and adding the Tell a Doc Service at a lower co pay with two free calls per year. Also being added is a short term disability policy and an employee assistance program. Some of the co pays are being increased particularly in the prescription area because prescriptions are getting extremely expensive; therefore, there will be $5 adjustments.

Council Member Huisking arrived at 3:33 p.m.

Council Member Huisking asked if any of the additional services cost more. Ms. Jacobs stated that they do; but the hope is that with the Tell a Doc Service to avoid some of the employees that are using the emergency room as an urgent care facility to make a phone call first, thus saving the City $1,300. The co pay will be increased from $50 to $65. All of it is being balanced so that the City has something that encourages employees to use the right level of health care at an affordable rate for the plan and at a convenience for them as well.

Council Member Gray noted that the hope is that some of the wellness programs will cut down on some of the doctor visits and medicines that may be needed. Ms. Jacobs stated that she is correct and the hope is also that issues may be found early on to be treated, which also saves money in the long run.

Council Member Calhoun asked if there are numbers that show, since the City started doing wellness, a decrease in cost except for catastrophic illnesses. Ms. Jacobs stated that she would ask the City's actuary who does the analysis. At this point because the costs are going up so notably, it may be difficult to differentiate.

Mr. Potucek stated that generally employees have a six month gap in the short term disability program until long term disability can take effect. Right now employees use a vehicle known as the Sick Leave Bank that has rules associated with it and he has to make the decision whether the employee qualifies. The City will now be moving towards a short term insurance policy that will allow doctors and the insurance companies to make the decision as to whether or not an employee qualifies.

Council Member Gray asked if the employee can opt in or out of short term disability. Mr. Potucek stated that they cannot as this would cover everyone as part of their benefits.

Council Member Mount stated that he has had to deal with this recently at work and asked if the City is going to be hit with some of the newer rules, i.e., adding sick leave on top of the existing PTO. Mr. Potucek stated that this does not affect the sick leave policies.

In response to Council Member Gray, Mr. Potucek stated that staff is working on how to redistribute sick leave back to the employees as there are employees that have taken advantage of the sick leave pool and others that have been in it different amounts of time. Staff is trying to set up a fair set of rules. He also noted that a lot of retirees have contributed to the pool and they will need to be considered.

In response to Council Member Gray, Mr. Potucek stated that this would become effective July 1st.

Council Member Huisking asked what happens if there is an employee with a catastrophic illness and it goes beyond the short term. Mr. Potucek stated that short term disability is six months. Ms. Jacobs stated that following that long term disability is available through the retirement system. At that time an employee would most likely be eligible for long term disability through the State.

Ms. Jones stated that there are various capital improvements that will be paid through the Capital Improvements Fund and the General Fund:

- $1,000,000 for fire apparatus total cost, 10 percent down payment and 90 percent financed;
- $700,000 to cover SSVEC franchise fee transfer to HURF for street maintenance;
- $600,000 for North Garden improvements, a carryover from FY 2016 that did not get completed;
- $500,000 for police vehicle rotation;
- $250,000 for the library roof replacement and repairs;
- $250,000 for the regional communications centers;
- $165,000 for the City core switch replacement that is the main infrastructure network switch in the data center;
- $100,000 for an economic development project, a reserve account for future projects for new businesses;
- $90,000 for the Fry cleanup, a carryover from FY 2016;
- $27,000 for entryway signs with the new brand;

Council Member Gray asked how much is in the Capital Improvements Fund. Mr. Felix stated that there is about $1.4 Million. This is the current year plus taking some reserves that is balancing the fund.

In response to Council Member Gray, Mr. Felix stated that the fire apparatus will be financed with a $1,000,000 down payment and $900,000 financed.

Council Member Gray asked with the $700,000 taken out would the fund be cleared out. Mr. Felix stated that there should be about $500,000 left at the end of the budget because there are new revenues coming in.

Council Member Gray asked how many vehicles are being rotated out. Mr. Felix stated that there are 10 crown Vics and replaced with ford explorers. This is the third year of the phase out plan.

Council Member Gray asked about the City core switch replacement. Ms. Jones stated that she spoke to the IT Manager and it is a replacement of the City's main infrastructure network switch which is the City's data center. It provides access and control for all network and IT operations for the entire City to include public safety and all external agencies that use Spillman. The switch is seven years old and has reached its end of life. Finding parts and getting support is very trying. Additionally the brains of the system went out this past year and the City was down for almost eight hours, which means that no one was able to get email, internet, Tyler, spillman as well as issues with phone system. The outage also shut down all patrol and fire vehicles as they could not access the system via their mobile devices. The new upgrade will be faster and more efficient as well as provide redundancy so that the City does not completely fail if one module is in the stack fails.

Council Member Gray asked if the $100,000 for an economic development project the façade grant. Mr. Potucek stated that it is for a potential project that is currently being worked on. Council Member Mount asked about the project. Mr. Potucek stated that he is not at liberty to say that in public because of the nondisclosure agreements.

Council Member Mount asked when Council would be able to talk about it with staff. Mr. Potucek stated that hopefully staff will have an announcement very soon.

Council Member Gray stated that in the Strategic Plan there was discussion about a closing fund and an infrastructure grant fund and asked if those are included in the budget. Mr. Potucek stated that this would be a closing fund project.

Council Member Gray asked if the façade grant is included in the budget or the improvement grant that was for $50,000. Mr. Potucek stated that it is not at this point. Mayor Mueller noted that on the west end there is still a façade grant available through the Arizona Regional EDF.

Council Member Gray stated that she understand that; but she would still like to see an audit of that and the grant as far as she knows covers only outside infrastructure with the EDF and on the inside of the building as well. Mayor Mueller noted that Council acted on this about two years ago and Council said it was ok for the EDF to use it for structure, façade as well as improvements within the facility as long as they are of a permanent nature.

Council Member Gray stated that she would like to see an audit. Mr. Potucek stated that they are a separate organization.

Council Member Gray stated that it is the City's money. Mayor Mueller explained that it is their money as the City gave it to them. Mr. Potucek stated that an audit may be requested. Ms. Jacobs added that Ms. McFarland has some detail and it will be provided to Council.

Council Member Calhoun asked about the list. Mr. Potucek stated that the list is a prioritized recommendation from the city manager.

Council Member Huisking asked if the cleanup have to do with acquiring the properties that are going to be auctioned off by the State. Ms. Jacobs stated that yes as this is the project that the Council committed to last year with the County Board of Supervisors and due to the bankruptcy proceedings has been delayed; but staff is budgeting for it because it is possible that it could happen by then. However, at this point, staff is not that optimistic.

Council Member Huisking asked if $20,000 is enough for both entry way signs. Ms. Jacobs indicated that $27,000 will get the City two signs.

Council Member Gray asked about the location of the entryway signs. Ms. Jacobs stated that staff hopes to replace the sign on Highway 90, coming into town and the other sign is still up for discussion; maybe Veterans' Park.

Council Member Mount stated that he is concerned about the economic development project that cannot be discussed and asked how it is being defined as an economic development project if it cannot be discussed going into a budget. He also asked what the definition is that binds the Council to not discuss$100,000 expenditure.

Council Member Mount stated that his fear is that staff could label anything economic development project and then not being able to talk about it and some people have more inside than others. Mayor Mueller noted that it is the people inside the nondisclosure agreement that are aware of it and he does not know anything either.

Council Member Mount asked if the project is contingent upon Council passing the line item in the budget. Mr. Potucek stated that it is. Mayor Mueller stated that Council needs to be let into what the issue is. Council Member Gray asked if this will be discussed in an Executive Session once details are finalized. Mr. Potucek stated that it can be done; but he is hoping that by the next budget work session, that Council will have the answer and it can then be discussed at that point and he believes that Council will be very happy.

Mayor Mueller noted that this is only a proposed budget and Council will know about it before the $100,000 is approved in the budget. Council Member Mount stated that he is all for economic development; but the point that he is trying to make is that there are other things that are coming up and there are a lot of needs and he just wants to make sure that Council has an opportunity to explore what the policy is before Council votes on it. He added that he does not want it to be a big "X" factor that states that it is economic development project and it is contingent upon Council passing the budget; but Council does not know what the project is. Mr. Potucek stated that if it did not occur, staff would certainly let Council know and the $100,000 would not need to be spent.

Ms. Jones stated that there are three park projects that have been put off for a number of years that are potential safety issues now. Capital improvement that is paid by the General Fund:

- $57,000 for slide replacement and tot turf at Summit Park as it currently has sand under the play area;
- $54,000 for tot turf at Soldier's Creek Park to comply with the ADA compliance; and
- $48,515 for structure replacement and tot turf at Len Robert's Park.

It is replacement time for the tot turn and it is also becoming a safety issue.

Council Member Gray stated that she is fine with all of the improvements; but there are other parks with needs. She asked if there is a time line. Ms. Yarbrough stated that they do have a small master plan that guides the future improvements. Nancy Hick's Park has items on that. It was a five-year plan; but year one has yet to be addressed. These parks were a higher priority on that list.

Council Member Gray voiced her concern about the length of time in addressing the issues at the bottom of the list because they will get worse and asked if there is a plan to try and catch up. Ms. Yarbrough stated that there is not at the time and they are doing the best they can each year as it comes along. These three parks are the greatest safety concerns major ones.

Council Member Huisking asked about the life span of top turf. Ms. Flissar explained that it does not depend on usage, it is a rubberized material and as it gets exposed to UV sun light, and it breaks down over time. Staff has discovered that it also gets harder and it loses that cushy resilience that makes appropriate fall surface. Based on how long these have been in place and it will vary depending on location, staff is seeing about a ten-year life.

Council Member Gray asked if another material could be used. Ms. Flissar stated that they have looked into a variety of different materials over the years; but this one has an advantage in that it is fully ADA compliant. Although it has that cushy feel to it, wheelchairs can roll on it and this was the best item that was found. New products that emerge may be worth looking at in time; but this was the best option found.

Council Member Gray asked if new material could be looked into instead of automatically replacing the tot turf at Summit and Soldier Creek. Ms. Flissar stated that they can certainly take a look to see if there is anything new out there that would be appropriate.

Council Member Mount asked if there is a demand by the public to get the turf replaced. Ms. Yarbrough stated that for some of the items, yes. Summit Park was one of the parks in the small master parks process that had the most number of people from the neighborhood come out. There is a small neighborhood association in that neighborhood. A parent also contacted the Department recently about how much her children use that park and what a priority it was for them to see some new features.

Soldier Creek Park was the first ADA compliant playground in the City and there is a need there to finish what was started. The surface that is down is engineered wood fiber, which is ADA compliant; but it has to be raked continuously and replace the bark that blows or washing away. This takes a lot of time and was only meant to be temporary.

Len Roberts Park's turf is simply time to be replaced. The park is heavily used compared to other parks and it is one of the City's regional parks, similar to Tompkins Park. It is reserved quite a lot and there are a lot of parties that are held at that park.

Ms. Jones stated that other initiatives and issues are:

- Body cameras;

$92,000 would be paid out of the RICO Fund and recurring costs would be $72,000 a year for four years. Mr. Potucek added that it would probably be a General Fund expense.

Council Member Gray questioned the $72,000 for storage and the number of years. Police Chief Thrasher stated that $92,000 is for the initial cameras and storage. The $72,000 per

year is for storage and replacement of the cameras at the two and a half year mark. After four years, the City would be renegotiating a new contract with that company or whichever is used.

Council Member Mount asked if there is anything that can be bundled up to have storage locally that would offset the cost of storage versus going through a third party vendor. Police Chief Thrasher stated that Mr. Rubio in the IT Department would be better able to answer the question. Council Member Gray noted that it has been looked into. Mr. Potucek stated that staff is currently exploring all options and there was a vendor that staff initially thought might have been a sole source; but staff found other vendors and the City will have to go out with a Request For Proposal to see what the best options are for storage and retrieval at that point. Staff is trying to keep the cost down and find the best solution.

Council Member Gray asked if it is $92,000 out of RICO Funds the first year and then for four years it is going to be $72,000 from the General Fund. Mr. Potucek stated that is correct. Council Member Mount noted that it is $92,000 for the cameras only and asked what is being done about storage. Police Chief Thrasher stated that the $92,000 includes storage for the first year also.

Ms. Jones stated that the Teen Center rental is an annual cost of $46,260 and that starts on July 1. The lease ends on June 2018.

Council Member Gray stated that she thinks that it is wonderful to have that and Council talked about looking at other avenues in the strategic planning. She also noted that Ms. Emily Scherrer is doing a fantastic job at the Library with some of the activities with teens and younger people and wonders if it is worth spending that annual fee for a teen center when it could all be consolidated to the Library. Mr. Potucek stated that it has been a topic of serious discussion amongst staff. This is the first year that the lease hits the City and the usage is not what Council would like it to be. The City does have the option of opting out and provide 30/60 days notice to the School District.

Mr. Potucek explained that he felt the need to add it in this year in the hope of trying to increase usage, letting the School District know that if that does not occur; the City would probably be seeking to end the lease. This would give the City time to have the community understand what is going on.

Council Member Gray asked if the $46,260 is only the cost of the building. Mr. Potucek stated that she is correct. It does not cover employees, utilities and etc.

Council Member Gray voiced her concern that the numbers are lower than what Council wanted them to be and asked if there has been any consideration at looking at a cost comparison analysis if those same activities and hours were held at the Library. Mr. Potucek stated that staff has not done that analysis and it might require additional staffing. It should be a marginal incremental cost and not in the order of what is being seen now.

Council Member Gray indicated that she would be interested in doing that. Council Member Huisking voiced her support added that she thinks that people would understand quickly that the investment is not paying off. If it can be applied to something that people thought was equally important, might be worth it. Council Member Gray noted that the Library is a central location and Ms. Scherrer is doing a great job with the programs.

Council Member Huisking asked if the program will include the dances that are very popular. Ms. Scherrer nodded yes. Council Member Gray noted that they are held in the Mona Bishop Room.

Council Member Calhoun stated that she agrees with that because the numbers that they heard of before are a solid reason for making the change and noted that if the dollar costs are available then notice can be made before July 1.

Ms. Jones stated that the safety retirement increase of $133,500 is due to the contribution rate change. Mr. Potucek added that this is actually a wonderful number compared to the ones had before. Council Member Gray stated that she is happy with this and asked if Prop 124 help with the number. Mr. Potucek stated that he does not see any immediate relief from Prop 124. Mayor Mueller added that it will take several years so that there are new employees under the new system and relief is seen on the numbers.

Ms. Jones stated that the Cove is over 15 years old and with age comes repair and replacement. This is an indoor swimming facility, which presents problems of its own. In 2016 the City replaced the bulk head, slide repair, pump repair and anticipated is future repairs and replacements.

Mr. Potucek added that in the current year budget there was $250,000 for cove repairs as the bulk head replacement alone was about $180,000 and staff is hoping to get the slides recoated by the end of the fiscal year. Ms. Flissar is currently dealing with a leak under the Cove; but that can be serious problem when dealing with foundations. If it is a significant cost then he will have to add that to the Capital Improvements Fund budget in order to keep the Cove operating.

In response to Council Member Gray, Mr. Potucek stated that currently there isn't any for maintenance.

Council Member Mount asked how much is the cost to keep a wave pool. Ms. Yarbrough stated that the wave operation has very little impact on the cost of operation. This maintenance has nothing to do with the wave machine.

Council Member Mount asked where the big cost is coming in from. Ms. Yarbrough stated that cost being discussed is the repair on the leak because staff does not know how much it will cost. Ms. Flissar stated that the floor was cut with a saw in one of the back rooms at the Cove and as expected, the movement of water created a void under the concrete and this is a line from the diving pool that ruptured. The line goes right through the foundation of the building and it is suspected that settlement of the building over time broke the line. It is a big six inch water line and it moves a lot of water and as that line starts to leak it carries the fine soil out of there and creates a void. Options are being looked at to fix it.

Council Member Huisking asked if the Department was able to shut off the water. Ms. Flissar stated that the water has been shut off to the area and the line has been exposed on the exterior of the building. The process of digging the line on the interior of the building is underway to confirm that it is where the line is cracked.

Council Member Mount asked how to bring the cost of the cove into something that is more reasonable. Mr. Potucek stated that the City is subsidizing 50 percent of the operating cost. The costs that are being incurred now are costs associated with the age of the facility.

Council Member Mount stated that the costs need to be brought into control for a swimming pool, which is nice and popular; but it is something that needs to be addressed sooner rather than later as there are other priorities that Council has to be able to fund. There will need to be discussion about the Cove's costs because they continue to go up.

Council Member Gray noted that the Council agreed to build the Cove with the understanding that the City would subsidize it at a 52 percent rate and asked if it would be a Council decision to change how much is subsidized. Mr. Felix stated yes and explained that the Council put a goal of a 50 percent cost recovery and both Ms. Yarbrough and Mr. Startt have done an excellent job of meeting the 40 to 50 percent cost recovery of operating expense and not debt service nor capital maintenance. The Cove is 15 years old and the chlorine is a highly caustic environment and the Cove has gone through the various fixes before and it is the nature of the operation. It is a unique facility and when it was built, it was one of the earliest facilities built like this and a lot of these things are new and the Public Works crew has done an excellent job maintaining it as well as it is. Some people are amazed at how well the City's Cove has been maintained; but it was added to the budget because as it gets older and settles, other issues will come up and the cost is unknown.

Council Member Mount stated that his criticism is not with anybody that is maintaining the Cove; but the point is, that the older it gets, it becomes a white elephant and future Councils are going to be burdened with trying to figure out how to balance a budget with these issues constantly popping up. He asked how to make people show up and use it or figure out a way to control the costs.

Mayor Mueller asked Mr. Potucek to place this issue in the near future as an item on a work session to discuss the financing of the cove.

Ms. Jones stated that the sports fields are over capacity and this will need to be looked at and addressed in the near future. There is high demand versus availability and the stress on the grass fields does not have time to recuperate because of the demand. Mr. Potucek added that the current issue that the City is dealing with is the shutdown of the Cyr Field as the field had to be put back up to snuff so that it is ready for next season. Those are costs that the City is facing and hearing about from the Soccer Board.

Council Members Gray and Huisking noted that they are hearing about it too. Council Member Huisking added that she asked a constituent if she would rather see a monument sign or a sports field and she said that hands down the sports field, that is where the money should go.

Council Member Huisking asked about the cost for a sports field and noted that the City has the land to build a new one. Mr. Potucek asked Ms. Yarbrough and Ms. Flissar to share the cost of rehabbing Cyr Field. Ms. Flissar stated that she would have to go back and put everything together; but in general, a new sports filed would be in the six figures. Rehabbing is way more than what is in the budget for the monument signs.

In response to Council Member Gray, Mr. Felix stated that Cyr Center Park Phase One was $2.6 Million. Ms. Yarbrough stated that if the City is looking at complexes then the City is looking at over a Million dollars; but the City has not built new parks in 20 years besides Cyr Park. The last ball field built was in the late 90's and staff's numbers are outdated.

Council Member Gray asked about the cost to repair a filed. Ms. Flissar stated that she would have to go back and pull together figures to see what Cyr Field is costing the City because

there are variety of items, i.e., irrigation equipment, fertilizer, manpower to operate the fields and etc.

Council Member Gray asked how much revenue is lost due to Cyr Field not being used. Ms. Yarbrough stated that she does not have those figures; but will make them available. Mr. Potucek explained that it is more a matter of cost avoidance as when the fields are used the lights are used and subsidize about 80 percent of the lights. Actual field usage without the lights generates very little revenue.

Council Member Gray suggested finding the money to maintain all of the fields so that they can all be used and maintained at a lower cost. Mr. Potucek stated that the issue now is to use the summer and monsoon to get Eddie Cyr Field back to playable shape by next season and if the City is not able to do that then it puts more pressure on Piazza and Arena Fields, which will then cost more.

In response to Council Member Gray, Mr. Potucek stated that the money is available to fix Cyr Field out of the current year budget. Council Member Huisking stated that she would like to explore putting a new field together, not a regional park, because the City has the land for it and it would be helpful if the public knew what the cost investment would be. Everyone knows that there is a lot more demand than availability and also explore ways to fund it.

Mayor Mueller stated that the City does have the property that was purchased a number of years ago, which was envisioned for a complex and that would be a number of fields. He suggested getting a current cost estimate for the whole thing and then doing it piece-meal. Council Member Huisking added that Sierra Vista phases everything. Mr. Potucek stated that the Cyr Park that was built about 10 years ago was through the latest bond that the City is currently paying for; but that is only one example of where the City has been able to construct an entire complex out of funds that were available. Everything else is basically phased over a long period of time, i.e., Veterans' Memorial Park's improvements. Mayor Mueller added that Cyr Park's phases are not completed.

Council Member Mount stated that he agrees with Council Members Gray and Huisking; but some of the costs should be known at this time as well as how much revenue is projected. Those numbers are important for Council in order to be able to make decisions. He also noted that he feels like the City is chasing its tail because there should be clear options and throughout the conversation, Council is not getting that information.

Mayor Mueller stated that he does not believe that a ball field will be built in the next year; but Council Member Mount is correct in that Council needs more information.

Council Member Calhoun stated that there are three areas and others, to include the health insurance, where the City is subsidizing, i.e., the lights, the Cove and etc. and she wonders if that is typical of communities the size of Sierra Vista. Mr. Potucek stated that all of those decisions on subsidies for those operations were Council policy decisions and all cites are different with regards to the levels of subsidy they provide for different operations. A swimming pool or a transit station will never make money and the goal there is to try and keep the amount of subsidy for those types of service at the lowest extent possible. Eddie Cyr Park is costing the City less right now than it would if it was operating because it is just sitting there and nobody is using it. If people were using it, the City would be subsidizing more lights and maintenance. Staff can certainly provide Council with estimates on what it would cost to build a new sports complex.

Council Member Calhoun asked how the lights are subsidized. Mr. Potucek explained that the City charges minimal fees for light usage to the various sports leagues that use the fields and the City estimates that they cover about 20 percent of the cost of the lights. The problem there is that the lights are so expensive that if the City were to try and increase the amount that the users paid for them, it would greatly increase the amount that the leagues charge their players to join the sports association to use the fields. Council has determined to try and subsidize the lights in order that more people can afford to play.

Council Member Mount stated that he appreciates that piece of information that Cyr Field is costing less by not using it; but he thinks that Council has to think less linear and this goes back to why he has been asking for metrics. He also talked about how sports fields can generate revenue as it is not just the rent that generates the revenue because tournament can bring people and they go spend money. Council can maybe do some of the sports tourism that has been talked about before. The City needs to get out of the abstract and Council needs real metrics that when stuff is up and running it will show the economic benefit for having it.

Council Member Mount noted that he is really pushing for this budget to have some of the issues solved and he believes that having an empty sports field is costing the City more money. Council Member Huisking added that sports tourism is an issue that has been talked about strategically and Council does not have any metrics for what it would bring in revenue.

Council Member Gray voiced her concern about the cost to repair/maintenance the other fields.

Ms. Jones provided the next steps:

- Tentative budget book to be distributed to Council by May 20, 2016;
- Budget work sessions June 7, 8 and 9, 2016 with the 8th and 9th only if necessary;
- Tentative budget vote on June 23, 2016;
- Final budget vote on July 21, 2016; and
- Property tax vote on August 11, 2016.

Council Member Mount asked to hold the budget work sessions in June at 4:00 p.m. due to prior obligations. Council Member Gray asked to hold them at 4:30 p.m. Consensus was to hold the work session at 4:30 p.m.

Mr. Potucek stated that the work session on June 9th would need to take place at 3:00 p.m. due to the regular scheduled Council Meeting.

Mayor Mueller stated that he appreciates the hard work and comments from Council and noted that it is important once going through the budget process to be prepared.

3. Adjourn

Mayor Mueller adjourned the work session at 4:26 p.m.

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Mayor Frederick W. Mueller

Minutes prepared by: Attest:

Maria G. Marsh, Deputy City Clerk

Jill Adams, City Clerk