

**MINUTES
FINANCE COMMITTEE MEETING
CITY OF DOUGLAS
COUNCIL CHAMBERS
425 TENTH STREET
DOUGLAS, AZ 85607**

THURSDAY, MAY 21, 2015

5:30 pm

1. CALL TO ORDER/ROLL CALL

Meeting was called to order at 5:30 p.m.

Members Present:

Margaret Morales
Sandi Thomas
Mike Nava
Ana Bernal
Luis Greer, Liaison

Members Not Present:

Victor Varela (Excused)

Also Present:

Luis Pedroza, Finance Director / City Treasurer
Lorenza M. Gonzales, Committee Secretary

Not Present:

Carlos De La Torre, City Manager (Excused)

2. PERSONS WISHING TO ADDRESS THE COMMITTEE IN WRITING OR VERBALLY ON ANY ITEM NOT ON THE AGENDA

None.

3. APPROVAL OF MINUTES FOR APRIL 23, 2015

Mr. Mike Nava entertained a motion to approve minutes as presented. Ms. Ana Bernal seconded the motion. Motion passed unanimously.

4. PRESENTATION/DISCUSSION ON 2015 - 2016 OPERATING BUDGET FOR THE CITY OF DOUGLAS

Mr. Luis Pedroza began by presenting the 2015-2016 Budget. He explained there is still a lot of work to be done so this would make it the preliminary first draft. As the

members will see there are still some items that are pending to review and he will go over them later and make them aware of everything that is known and of all the major items that are affecting right now. The cash position as of the day before shows that the Unrestricted Fund Balance is at \$4,723,757. One item he added that is not normally on the restricted side is the Self-Funded Health Insurance Fund, it is a very small amount but since the City is self-funded, staff needed to set aside the savings that are being incurred from going to premium versus self-funded. Those savings are being set aside to fund that liability. That is what the City has been doing for the last 2 years but as they can see it is not much but it has to be restricted and allocated towards that health fund. The rest of the items which are HURF, Capital Projects, RICO, JCEF, and the Debt Service, you are familiar with. The Debt Service you will see it get a little higher towards the end of the year because the Debt Service is usually towards the end of the year and that is when it is paid out. Overall, the Cash position of \$7,461,745 has seen a very significant increase from years prior. He thinks that goes well in how well Staff has been managing the finances and being conservative, specially this year as they have seen in other presentations that we have recorded a surplus of \$500,000 if not greater. That goes well in sticking to the Financial Policies to guide us and put us in this good position. He showed a slide that shows the history of the last 3 years to compare the Cash Position from years prior. The trend seems to be increasing. The graph shows a significant gap from last year to this year so that has been a very good sign and good position. He continued by explaining where the City is at with the 2015-2016 budget. He pointed out to the members that as they were able to see in their budget books the City is at a deficit of \$491,284. Staff is aware that a large portion of that which changed this year and took a big hit is the PSPRS (Public Safety Retirement System) and the fact that State Shared Revenue remained stagnant. Our revenues are staying the same but the expenditures are increasing.

As of today, some of the operation changes that they would like to discuss and is included in the budget books are; first, the Golf Course, Mayor and Council approved the creation of the Municipal Property Corporation to manage the Golf Course. They put that under its own board and its own government to make decisions on what is best for the Golf Course and of course the City still having some oversight over the operation and control and the idea is to still provide the subsidy but within the future is to hopefully minimize that as things improve but the City does have that oversight, that control through the subsidy in the amount of \$120,000 which is what is projected that the operation will require. The next one is in our Housing Department. We closed the sale of the Casas de Esperanza project. That is no longer with the City, it is being operated on the private side. When that happened some employees were being funded through that revenue obviously the duties assigned to them were also towards that project. Now we have some employees that are freed from that duty and also some funding gap for those employees. We definitely need some reorganization within that department and we need to see where we fit those employees.

Mr. Mike Nava asked if the private company didn't take over the employment of these people.

Mr. Pedroza answered no, since they are City employees and whether they are funded through that project or not they are within our rules. They are going to hire some folks to oversee that project but not necessarily our people. We need to keep them because they are our employees.

Mr. Nava asked in terms of number of people, the responsibility of the City employees in relation to Casas De Esperanza, how many employees did that employ.

Mr. Pedroza explained that there is still another project, Pioneer Village which compared to Casas it is a smaller project, few homes, less administration tasks and less oversight, we still need somebody to manage that however they are freed up because a lot of their time was allocated to Casas. The employees that are there are a Housing Specialist and 2 Maintenance Workers.

Ms. Ana Urquijo explained that it's 1 Maintenance Worker because the other is a non-permanent employee and the Property Manager.

Mr. Nava asked what they will be assigned to do then.

Mr. Pedroza explained that is part of the questions for this budget. Staff is trying to allocate them to other department and reorganize the Housing Department. That is not included in this preliminary budget yet. We are hoping to get some direction on that from City Manager, Council and Finance Committee to see how we are going to go about it.

He explained that the next thing to mention is the contingency. Last year we were able to keep a contingency of \$270,000 which was very nice to have, with this deficit we reduced it to \$100,000. For our budget \$100,000 is a lot of money but contingency wise it does not cover us for a lot of time but we did have to reduce the contingency due to the deficit.

Mr. Nava commented that it is good that it is labeled what it is. That is transparent.

Mr. Pedroza explained that it is there in case it is needed and ideally it is to put it aside for future use, to fund the savings account. That is the ideal use of it but it's also for things that come up that are outside of the budget but it's not a whole lot of money.

He continued by explaining that due to the uncertainties nothing has been approved for Capital yet. They will see all the requests on the budget side but no decisions have been made because we need to worry about the deficit to see if it can be offset and then they will see if anything can be funded.

Mr. Nava commented except for those capital needs that are going to be funded through RICO funds.

Mr. Pedroza explained those are ok and have been approved. He believes that also the auction money that was raised and is going to be used to buy vehicles for Police. The Transit which gets funded 90% has also been approved but not the rest of the items. There is \$1.9 million in requests this year. Realistically speaking most of those requests won't be funded this year.

Mr. Nava asked if that includes the Council Projects for Special Projects.

Mr. Pedroza answered he will talk about that a little later. Most of the Council Directed Capital Projects from this year will be completed; whatever does not get completed will be carried over to next fiscal year and is not part of the \$1.9 million since that has already been funded. The plan is to carry over those funds since they are restricted for that. And use them to finish the Capital Projects that we set up to do this year. Because of timing that is the way it will have to be done.

The Operation changes, he knows this was mentioned last year since the State was supposed to take over Sales Tax Collection on January 2015, they were not ready for that and now regardless of what happens they are going to take over in January 2016. The rumors that we hear or according to the people up in Phoenix who have been attending the meetings is that they are not 100% ready. All cities should brace for cash flow problems, licensing problems with the new businesses that come in so we can expect that when they take over. There will be transition issues. The City has its own database of the taxpayers here and they have a different database of our taxpayers over there. We have a pretty good handle on who are our taxpayers so how can we tell the Department of Revenue so they can import that into their vast financial system that is probably thousands and thousands of taxpayers that they need to fit in there including the big cities like Tucson and Phoenix and all those areas. The feeling that we get is that we are going to run into some issues.

Mr. Luis Greer asked in the transition how long does staff expect it to last.

Mr. Pedroza explained that the City is transitioning already. What we started out doing is contacting all taxpayers and explained to them what is happening and requested the most current information. We sent them a form to fill out to return then we put all that information into an Excel spreadsheet that is ADOR format of what they need and that is going to the Department of Revenue.

Mr. Greer asked how much money would need to be set aside to cover that transition because coming January 2016 the City will get nothing in return the first few months or the first quarter.

Mr. Pedroza explained that what is foreseen is cash flow problems but they hope that they will catch up within the first few months. What he has heard is maybe cash flow issues the first 2 months of no money coming. That will probably have to come from reserves to meet monthly expenditures and hopefully when it catches up we can put it back into the reserves. They are pretty set on whether their system is ready or not they are taking over in January 2016.

Mr. Greer commented that whether it happens or not either way we will be affected.

Mr. Nava commented that the fact that there is a good amount of unrestricted cash in the General Fund, if we didn't have that then we would really be in trouble. The City averages a little over \$1 million in expenses per month.

Mr. Pedroza said that would be including all funds. The General Fund would be about 60 to 70% of that. We do have the resource to fund that gap however we don't like to do that. It is really uneasy when the money is not in your coffers and you start questioning whether it is being coded correctly, whether the correct city is getting the correct amount of money. And all those questions start coming about. We are keeping an eye on that and we will keep you informed as to how it all proceeds.

Mr. Nava commented that this situation reinforces the fact that financial accounting is being done well by the City Manager and City Management.

Mr. Greer commented that this can turn real quick due to the State taking over. If they do that the legislature can come back and say that they need that money and we are not getting it back.

Mr. Nava agreed that that could certainly be dangerous.

Mr. Pedroza reminded the Members that the State also put on us an added cost of \$53,000 for the administration of our taxes and if we think about it we were doing a better job than them and it was probably costing us less than that. It is very interesting that that is the way they want to do it but in the end we are the ones fronting the money for that and who knows what kind of service we are going to get at the end. The other thing that we are doing since we are actually paying for that, is that we are working on an IGA so that there is some kind of accountability from the Department of Revenue to show that if the needs are not being met there is also some parameters so that we can say you are not providing us the money as you said you would and we can take certain action based on that.

Mr. Greer asked if there is going to be an intermediate person who will do some audit reports based on what we were doing and what they are doing and make sure that they line up.

Mr. Pedroza explained that we will be doing that. It is a very united community, the tax departments within all the self-collecting cities, along with a very knowledgeable member of the League who leads those meetings. What we do is we meet once a week on a conference call and whatever issues are out there we bring them up. What the League does is they lead the way in providing the formalities of doing this through the IGA and throughout these levels. We are in the front lines and see what is wrong and communicate it through the proper channels and get it corrected.

He continued by explaining that so far for this budget we expect three funding requests. One for sure is DARC for their Meals on Wheels program. We are expecting a request from the Rotarians for \$750 for the Fly-In breakfast. That is a

decrease from last year when the request was of \$2,000. He believes that what is happening is that they are changing venues so the cost will decrease. The Douglas Williams House is pending \$1,000 for their operations.

Mr. Nava commented that he thought he saw in the budget book that Rotary was being approved at \$2,000.

Mr. Pedroza explained that that number will change because the formal letter had not been received yet so the number from last year was left there.

Mr. Greer asked if these requests were only for non-profit organizations.

Mr. Pedroza answered that traditionally that is the case. It has never been formalized that it is for non-profit but traditionally what has been done is things that help the community and it is those non-profit groups.

Mr. Greer expressed his concern that in the three years that he has been in office he has never seen the Food Bank request anything.

Mr. Pedroza explained he has never seen a request from the Food Bank.

He continued by explaining that the next slide shows the changes in expenditures, Budgeted Expenditures from Fiscal Year 15 to the proposed budget. The very first one is the Public Safety Retirement. They had been told that it would be \$592,000 but once the overtime and reimbursed grants and all of that is factored in then it becomes a little more for a total of \$682,163. The Health Insurance is supposed to increase slightly by \$67,836 based on the information that has been received from the brokers.

Mr. Nava asked and his question involves so many lines on the Proposed Budget, some of the line items for Health Insurance show a slight decrease, most lines show a varying amount of increase, why is there such a difference.

Mr. Pedroza answered that it has to do with personnel. Whenever they have personnel move to another department then that is when you see a decrease and that is why you see so few of them. But the increases are expected because the expected amount to pay out for next year is going to be greater. He believes he saw it in the Recreation Department.

Mr. Nava explained he has it highlighted but some increases are very much as a percentage and other increases are not really so much.

Mr. Pedroza continued by explaining that the Sworn Police Officer 2% COLA that was recently approved has been included for a total of \$56,058 and it includes EREs. Length of service for those that are getting their step increase has an impact of \$38,687. And once those increases are taken out of the picture from the departments, we went into the positive by \$17,765, once the Public Safety Retirement, the Health Insurance and the 2% are taken out that actually says the

departments are pretty lean. Most of these expenditures are out of our control. The Arizona State Retirement match was not as much as last year. It was .15% that we are no longer going to contribute as well as the employee won't need to contribute that so it saves \$11,903. Debt Service decreased slightly and that is due to the timing. The Call Center Lease had peaked and it will decrease a few thousand dollars every year so we will see some savings there. The total major change in expenditures is \$788,383.

He continued by explaining that this reemphasizes that \$17,098 difference from the departments puts all the departments in a nutshell comparing them from last year budget to this year budget and see where the differences are. The difference overall is \$815,076 but once you factor out all the components that he talked about it comes out to a savings of \$17,765 net all departments.

Mr. Nava commented that Recreation seems to have taken a big hit and he is concerned about the opportunity for our youth to have recreational opportunities. He thinks Mr. Varela would agree with him from what he has said in the past.

Mr. Pedroza explained he thinks that is a personnel change because the biggest decrease he sees is the salary line item going down.

Ms. Urquijo explained that it is mainly because half of the Golf Manager position was being funded by Recreation and with the Mayor and Council decision to have the Board run the Golf Course that creates a significant savings in operation. The other change is that the schools are now funding the after school program so the City is not using City funds for that. The only thing the City is funding at the moment is the Chess Club over at Clawson.

Mr. Nava asked if he could be assured that there is no loss of opportunity for our youth in relation to recreation.

Ms. Urquijo answered that in relation to recreation since moving from the center at 3rd street they have been going out and using other resources within the community to provide recreation opportunities.

Mr. Nava commented that he would place these decrease next to the \$120,000 for one sport that people play and maybe better afford to play for themselves. And that he appreciates their assurance.

Mr. Pedroza continued to explain the changes in revenue that are being proposed for next fiscal year. Ambulance Revenue is doing very good this year. It will hit more than \$1.1 million but we are being conservative because we know that the State pulled back on Medicaid funding. We know we are going to take a hit there but still being conservative we still see exceeding \$1.1 million for next fiscal year. As mentioned before State Shared Revenue is very stagnant, the increase is of only \$72,515 where last year the increase was \$320,000. The Aquatic Center IGA is set to get reimbursed \$19,485 more than what was received last fiscal year due to the increase in operation costs that were incurred for that year. The sale for the Surplus

Property, if they recall last year the sale for the Douglas Apartments was budgeted at \$500,000 and also placed as an expense as a wash so that we knew that we were not counting on that revenue to fund us through the year but it was important for us to budget it in case we received that money. That component is going away. One of the ideas that we had for this year was to fund this deficit with that one-time revenue, not just the sale of the Douglas Apartments but also the sale of possibly the Perrilla Apartments. With those 2 assets combined and knowing that the Perrilla Apartments are underperforming assets and that in the future they will require money we know that it's better if we put them out in private hands. The idea was to possibly fund that with one-time revenue through the sale of those assets and in the future budget year of 2017 is set out a proper Capital Projects plan and a Bond issuance that lays out this as the projects that the City needs because it is nice to have the 3/10th of cent but realistically looking at things in order to really make a better impact here we need to go out for bonds. And as Carlos has explained before it is putting them on the tax payers and having them make that choice but the reason that would be ideal is the timing for a bond election for this coming November is probably too late for that so ideally for us was to fund that with one-time revenue and prepare for 2017 by reassessing the 3/10th cent tax for Operations while bringing in new forms of revenue through a Property Tax Levy to get a bond going for Capital needs. So we would be replacing one thing with the other and that is what we were projecting to do but since the deficit and the questions that are still on the table are just a little bit greater than that with funding it through that one-time revenue at this point. He is not sure if we can do that right now but he did want to mention that is really what we haven't planned and what they wanted to propose to the Finance Committee and Mayor and Council as to how we go about in future thinking and making sure we are set with our Capital needs.

He continued by explaining the reduction in City Sales Tax by \$125,000, with the recent changes from the State seeing that we are going to take a hit on Contracting Sales Tax and not seeing a lot on the Retail Tax and it not picking up, it is wise to take down that amount to a level that is more foreseeable for us. That is pretty significant; other revenue sources which is a combination of very small revenues which total \$34,948. The Court fines based on this year history and how we are seeing revenue come in, the projection is \$13,000 less. The E-Rate Grant is a grant that is slowly going away. That grant has been able to fund our internet access for the Library for the last 5 years or so. That seems to be slowly diminishing and we can expect that to eventually go away. This year we took a hit of \$8,857. The Grant Operating Revenue which are Stonegarden Grants, and Transit Grant took a hit of \$8,784 but that is reimbursable.

Mr. Nava commented about the Douglas Apartments. The grounds are not taken care of very well. The 11th Street side is full of weeds across from the sidewalk, between the sidewalk and the street. And if the City expects to sell that property it certainly doesn't give a good appearance.

Mr. Pedroza agreed and explained that that is one of the reasons why some expenses have been budgeted. If they do want to put it up for sale there are some

improvements that need to be taken care of. He said he would let Carlos know that they are not looking very nicely.

Mr. Nava asked on the Ambulance Fees, on the \$100,000 that he mentioned, if that in his opinion is collectable.

Mr. Pedroza answered that it is very much collectable.

He continued by explaining Capital Projects. This goes in line with what he was saying. This year staff set-out an aggressive Capital Project Plan. About \$1.7 million was funded in Capital Projects. Not all of them will be finished but the idea is to carry over the Fund Balance and fund those projects in the coming year. Just to give them an idea the current Fund Balance for the Capital Projects Fund is at \$473,938. Since we have 2 more months in the year we expect to collect \$90,000 more in the Revenue Tax. However, we do expect the following projects listed there to be completed this fiscal year. About \$330,104 of projects is expected to be completed using that balance to fund them. With that said we would have a remaining balance of \$233,833 which is 3/10th of a cent strictly for Capital Projects. The idea is to carry that forward into the fiscal year and finish out those Capital Projects that most likely we will not get to this fiscal year. That is about \$413,829. There is a negative Fund Balance of \$179,996. Some adjustments will need to be made and funding will need to be pulled back. Also from what is pending there are some over estimations of what will be paid. We know that we will save some money on some of these Capital Projects so there are some savings there that can be used to fund the Capital Projects that are being carried over.

Mr. Nava asked if the Chamber renovations are not listed there because they are being paid for through Court generated funds.

Mr. Pedroza answered that is what was proposed which is to pay for the majority of that through JCEF funds. When asked for that money it was denied. That funding source did not come through. And he thinks it has to do with the fact that the Court future is in limbo with the City. He will talk about the Court consolidation and how it will affect the City later. Although the Court uses the Council Chambers they felt that it was not appropriate to fund that project.

Mr. Nava asked who makes the decision.

Mr. Pedroza answered that the County Justice Court is who gives the approvals.

He continued by explaining that the idea was to get those projects finalized this Fiscal Year and whatever does not get finalized then do it the next Fiscal Year and hopefully get us ready for that Bond issuance.

The major items that he believes are still requiring some direction or how we are going to go about addressing them are, obviously, first is the \$491,000 Budget Deficit that we have so far. There will be so many more expenditure hits that can add to that. On the revenue side he does not foresee obtaining anymore new revenue

that can help offset that unless we use reserves. We need to consider service reduction or new revenue, new tax, new something but as far as existing revenue he doesn't feel we can get any more out of it. The Capital will carry over \$233,833. On the personnel side that is another question that needs to be addressed. The Housing Department will have those folks that no longer will have those operations in Casas. There are 11.5 positions that are not filled and not funded. They are on the organizational chart but yet we have not issued any funding for them.

Mr. Nava asked if this is no change from the current year.

Mr. Pedroza answered there is no change from this year. They have not been funded.

Mr. Nava asked if they have not been funded the current year and they will not be funded next year.

Mr. Pedroza answered they are currently not funded. He is not saying that they will not be funded for next year. The positions are still there and the need is still there. A lot of the savings that has been incurred this year is because of those positions being funded. They are still there and they are still needed but funding is the issue.

Mr. Nava asked if they are not funded next year there won't be any decrease in service because they are not being funded this year either. He asked if that was a correct assumption.

Mr. Pedroza answered it can be looked at that way but the way he sees it is that the changes within Housing can shuffle things a little bit by those people becoming available. Maybe those are the positions that can be filled but there are funding issues for those folks because that funding source went away. They are trying to be strategic as to where they allocate those folks and where they actually put them. He is not saying they could fit in there but those are some opportunities that they can look at. There are 7 funded positions that are not being filled. Those are other opportunities that we can see and maybe use the folks that need a home can go and fill those positions since they are already funded. It has to make sense and they would have to be in the same line of work that they are currently in.

Mr. Nava asked if some of the funded positions are still not filled that would help to reduce the anticipated deficit.

Mr. Pedroza answered that is correct and another thing to keep in mind is that not all of the positions are General Fund positions. About 3 of those folks are funded through HURF so they are not being funded through the General Fund so if we do go that direction we would not see a lot of saving coming from the General Fund.

He continued by explaining the next pending item. That is the Liability Insurance because that comes in later in the year. The next big thing is the Court Consolidation. That is something that the County has been wanting for some time now. About a week or two ago the City received some preliminary figures from them

saying how that is going to affect us if we do consolidate with them. Currently we have the Justice Court and the Municipal Court. The idea is to combine our Municipal Court within the Justice Court. And the idea that currently the City is not paying for any of the prosecution costs that the County incurs for our felony cases and our misdemeanor cases. We are the only City who is not doing that. All the other cities have consolidated and are paying for that. So the County brought forward some numbers. They told us it was our decision however there are some costs that we would have to incur because of the nature of what it is. One of those costs is Jail Cost to keep those holding cells operating; the cost of \$178,841 is what we would have to incur most likely this Fiscal Year. We just received those numbers and we need to talk to the County and ask them what the expectation is and what we are expected to do. That is significant and it would add almost \$200,000 to the \$400,000 deficit.

Ms. Ana Bernal asked if the City will have that expense even if we don't consolidate.

Mr. Pedroza answered that is correct.

Mr. Greer asked if he could clarify when he mentioned all cities, if he is talking about Sierra Vista and everybody else consolidated.

Mr. Pedroza answered all cities in the County, Sierra Vista, Bisbee.

Mr. Greer asked if Douglas is the only one who has not done it.

Mr. Pedroza answered yes and that if the City does consolidate there are several different factors that need to be considered. Consolidating means that they will be handling all the Traffic and Civil Cases at the Justice Court and in order to offset some of the Prosecution Costs that we are not paying for then the revenue that we receive for those Traffic Citations will go towards those Litigation Costs. Because the litigation costs far exceed the revenue that we are receiving we saw the figures showing about \$240,000 at consolidation. That is a great number. Those are the decisions on the table of what we need to do. What is going to happen and is already happening, some of the cases are getting delayed as far as getting them heard and prosecuted. Definitely, we are getting a deal in that we are not paying for that but at the same time we are getting a delayed service. That is the scenario there and the consolidation is totally our decision to move forward but we need to see the pros and cons even though it is a large cost we need to see the pros into the litigation of our cases.

Mr. Nava asked if the City does decide to consolidate, the City gets no revenue from the resulting prosecutions but if the City does not does the City still get the revenue then.

Mr. Pedroza answered that is correct.

Mr. Nava asked what the tentative figures are.

Mr. Pedroza answered that what is received currently is about \$135,000.

Mr. Nava asked if that could go toward the \$178,000 in Jail Costs.

Mr. Pedroza answered it would go towards the \$240,000. The \$135,000 is already being considered as going toward those costs and the additional cost for prosecution and everything would be \$240,000.

He continued by explaining that the last pending item is the 2% for all City employees. The other thing that they felt from an equitable perspective with the sworn officers receiving a 2% COLA and being treated as such that also needs to be on the table for everybody to feel equal and ideally it is all part of the budget process. They like to consider that during the budget process to see where it can be funded. This 2% needs to be weighed against how it is funded and how it can be done based on the current deficit. Staff has some work to do on that end. The other thing he wants to mention was that originally the idea was not to recommend the 2% but to recommend a one-time bonus. As they know there is a \$500,000 surplus this year. The idea was to share that through a profit sharing mechanism and allocate those funds towards a one-time employee bonus. Those savings were incurred because of our employees and the vacancies that have been sustained. Because of that a certain percentage of that surplus was going to go back to the employees. He believes it will be a very nice bonus based on the \$500,000 and the original assumption of 25% of that going towards the City employees totaling about \$125,000 being distributed equally towards each individual employee will make a very nice impact. He thinks the City is in a very nice position to do something like that and that option is still on the table. That is one factor that they wanted to consider before getting into this budget and looking at what we can do for next year. With what we have right now we can make an impact. Although it is a one-time we have those resources. With a 2% we need to consider that it's sustainable and ask whether we can continue funding this forever.

Ms. Margaret Morales asked on the 2% how many employees are we talking about and if that includes everyone.

Mr. Pedroza answered that it will impact everyone and it's a total of \$109,562.

Ms. Morales asked on the bonus, how much were they looking at for each employee.

Mr. Pedroza answered that if those numbers get realized and he has not run the figures yet, when the Christmas bonus was issued it cost about \$80,000 overall and employees received on average about \$300 to \$400. You can imagine that it will be a lot more than that and if it is distributed in an equitable manner where everyone gets the same amount it can make a good impact. He believes also that the \$500,000 has a chance of increasing a little more so the 25% will be a little bit greater than that just by the way he is seeing May numbers. He believes there is a little bit more money that can be used.

Mr. Greer asked where that money that he is talking about is coming from.

Mr. Pedroza answered it is coming from Surplus from this year. When comparing revenues and expenditures we have about \$500,000 more in revenue than we have in expenditures.

Mr. Greer commented that if we can get \$500,000 more this year he doesn't see a problem trying to sustain it for a couple of years.

Mr. Pedroza explained that is the point they are trying to make. That money is a one-time opportunity that we were able to realize from saving this one year.

Mr. Greer said that right now everyone is suffering and even though you are making a sustainable amount of money compared to others who are not the Cost Of Living is going way up. It is very expensive nowadays for everything.

Mr. Pedroza explained that what is changing for next year is that we did have a surplus this year but next year that \$500,000 in savings is going to the PSPRS because it's \$600,000 in expenses that we did not have this year but we are going to have the year after that and the year after that and it's going to keep increasing. so that is the problem, the sustainability of that and why we are proposing a one-time distribution because we have that, we can financially, fiscally and responsibly say we have that money and we can issue it as a one-time bonus but future-wise and sustainability for future years he really can't say that.

Ms. Morales commented that the 3% increase that was talked about at the Council meeting that the Police Officers want was figured at \$800 a year or \$31 a pay period but by the time taxes are taken out they end up with \$25.00. It is really not that much.

Mr. Pedroza explained that is from an individual perspective but when you consider it from an entirety it is \$56,000 because with every dollar that we pay we have to pay 50% more towards their retirement. Essentially we are paying \$1.50 for every \$1.00.

Ms. Bernal asked if some employees would benefit more from a bonus rather than a Cost of Living increase.

Mr. Pedroza answered that is possible depending on the range that they fall and how much they make. It can possibly be higher than a 2% annual increase.

Mr. Greer asked if he is going to show the Council the differences between the 2% and the one-time shot deal.

Mr. Pedroza explained that what he was waiting for was to finalize May numbers but because of the circumstances he can prepare those numbers. He wanted to wait until May numbers were final because he wanted to realize all the revenues and all the expenditures to see where we end up. He believes that we will be in a better

spot than the \$500,000, more like in the \$600,000 and that way we can get a better idea and see how much we can issue.

Mr. Nava explained that philosophically he has a problem excluding anyone but in a practical sense if it comes down to it he would move that Department Heads on up would not be eligible for any increase.

Ms. Morales commented she would have to agree with Mr. Nava.

Mr. Nava continued by saying that he told Mr. Pedroza that this would have to be his position with the appropriate apologies.

Mr. Pedroza asked if he was talking about the 2% or the one-time distribution.

Mr. Nava explained that probably not for the distribution because it does not have to be sustained but for the 2% yes that would definitely be his personal individual position.

Mr. Greer asked how much was being budgeted for Victor Gonzalez for Economic Development. Were we doing \$45,000 or \$25,000 and IDA was giving the rest?

Mr. Pedroza answered that it was \$25,000.

Ms. Urquijo explained that it was for the function of Economic Development.

Mr. Greer asked if they foresee anything like that coming back.

Mr. Pedroza answered he is not aware of anything like that, he is not sure if Carlos has heard of anything.

Mr. Nava explained that on the budget book most of his questions are because he doesn't understand and they are for personal knowledge and some are broader and may create a potential impact. On Section 1 Page 3, why the big decrease in the Municipal Property Corporation Fund.

Mr. Pedroza answered that is the Bond payment that is set to sunset at the end of Fiscal Year 2015. The final payment will be made in June for that bond. That is another point those funds are Capital Funds that can also be made available for Capital Projects or Bond issuance. Those funds are strictly part of the ½ Cent Sales Tax for Capital Projects.

Mr. Nava continued by asking on Page 4 the IGA with the School District is not there but he asked if it might be a little bit more than the current year.

Mr. Pedroza answered this is a different IGA. It is from when they asked us to do some Infrastructure Improvements just like we did this year on the crosswalks. He didn't foresee any of that happening this year. Either way it is money in, money out.

Mr. Nava commented that the schools have dedicated money for adjacent ways.

Mr. Pedroza answered that is what this is.

Mr. Nava asked on Section 2 Page 6, what is Citizen Pays Policy.

Mr. Pedroza explained that Citizen Pays is when a citizen requests that a sidewalk or curbing be done by their property, they reimburse us the material for that.

Mr. Nava continued on Section 2 Page 12, this has to do with the possible consolidation?

Mr. Pedroza answered no. Last year the JCEF fund was going to front \$37,000 towards the renovation of the Council Chambers.

Mr. Nava commented that Mr. Pedroza must be doing a good job on the investment earnings.

Mr. Pedroza explained the investment earnings have been doing better because rates are slightly increasing but cash is also getting greater.

Mr. Nava asked if there is any way to appeal the State Comp assessment.

Mr. Pedroza explained that the Worker's Comp is no longer a State agency. They are like any other vendor.

Mr. Nava asked if we are paying profit.

Mr. Pedroza explained that we went out to bid for that and they are the only ones who responded to the bid.

Ms. Sandi Thomas asked who the City uses.

Mr. Pedroza answered Copperpoint.

Ms. Rocio Garcia-Pedroza explained that they should be receiving new numbers soon.

Mr. Nava continued on Section 3 Page 1, it is the first place where he highlighted the Health Insurance. This figure goes down and asked if part of the explanation is the switch of personnel between departments.

Mr. Pedroza explained he thinks it has to do with the Attorney's Health Insurance coverage.

Ms. Garcia-Pedroza explained that some of those changes have to do with the fact that some employees change from single coverage to family or from family to single

so it changes the amount that the City pays. When we budget we don't know what they are going to choose.

Mr. Nava continued on Section 3 Page 6, and asked if only Police and Fire have Cancer Insurance Policies. And why that is, if it is something that was negotiated a long time ago.

Ms. Urquijo explained that it is a State Statute.

Mr. Nava asked if that is a recent Legislative change.

Mr. Pedroza answered no that it has been there for a long time.

Mr. Nava continued on Section 3 Page 8a, the Rotary Fly-in.

Mr. Pedroza explained that when these worksheets were done they still did not have an amount for their request so they chose to leave the \$2,000 until they get their letter. It looks like the Senior Citizens have not submitted anything this year either.

Mr. Nava asked how much they normally request.

Mr. Pedroza answered they request \$1,500.

Mr. Nava continued on Section 3 Page 26, at the bottom on Capital Outlay, what is the difference between 12 bus stops and 14 benches and the last item 12 bus shelters with benches.

Mr. Pedroza explained the first 4 items are Capital items that were approved this Fiscal Year and are being carried over to the next and in addition to that we are hoping to get approved for a Supervisor vehicle, cameras and an additional 12 bus stops.

Mr. Nava asked if it will be a total of 24 bus stops.

Mr. Pedroza answered yes and that is why they are separated.

Mr. Nava continued under Section 3 Page 12, under Small Tools and Equipment, is the reason for the reduction that you have a better handle on the inventory and the accountability.

Mr. Pedroza answered yes, that is the expectation from now on. That is a line item that they have a better control of. Departments are finding savings in that.

Mr. Nava commented that in the past that was a real concern, the inventory and the accountability.

He asked under Parks, the Playground Upgrade and the Playground Canopy is yet to be decided.

Mr. Pedroza answered that is correct. It has not been approved yet.

Mr. Nava asked if he can explain on General Fund Aquatics, Section 3 Page 15, the tremendous jump in Contractual Services.

Mr. Pedroza explained he believes that is our employee moving into SmartWorks. The gentleman retired and now he will be working under contract with SmartWorks.

Ms. Urquijo pointed out that the salary line item went down to correlate with that.

Mr. Nava continued on Section 3 Page 18, the General Fund Public Works Street Maintenance. He commented that the fleet has been reduced significantly and asked if the maintenance should reflect that.

Mr. Pedroza explained that the Auto and Equipment line item is in each department. This particular page is for the mechanics salary and the general operation of the shop. The actual maintenance of the vehicles gets charged to the particular department that the vehicle belongs to.

Mr. Nava asked when comparing the Year To Date with the 2015 Budget, if the City has expended about \$11,000, why would the amount requested for the coming year be the same as for the current year.

Mr. Pedroza explained that staff can look at that and see if we can create a savings.

Mr. Greer said it looks like for the year 2015 you budgeted \$26,376 and Year To Date you probably used that much because next year you budgeted \$26,376.

Mr. Pedroza explained that like Mr. Nava said we haven't even used half of that through 4/30. The point that Mr. Nava is making is that the new fleet is making a difference for us. The cost that we are not seeing are the big repair costs. You will still see the tires, the oil changes, all that which are obviously to our benefit. But those departments with the new fleet will see a benefit but our older fleet like our Police Department, our Fire Department that still has those older vehicles might still see those costs remain the same but a lot of our staff, Parks, IT, will see a benefit from that.

Mr. Nava commented he certainly hopes so because that was part of the philosophy of upgrading the fleet.

He continued under General Fund Fire, Section 3 Page 19, what is Community Training.

Mr. Pedroza explained that is when the Fire Department performs CPR classes and they have to expend money on materials, handouts, books. They perform those classes regularly. And we receive money for those as well.

Mr. Nava continued on Section 3 Page 21, he doesn't understand why at the very right the wording is "Budgeted" for all 3 items but there is only 1 item under the approved list.

Mr. Pedroza explained that the Baseplate and the Breath Tester should be removed from Capital, those are not Capital Items. They are not considered Capital unless they are over \$5,000. That might just be a spreadsheet error.

Mr. Nava asked if the Water Office is using the telephone a lot more on Section 5 Page 2.

Mr. Pedroza explained that the Internet Service was not being charged correctly. What staff did is an analysis because the charge is not per Internet connection but as an entirety. Staff analyzed how many computers are being serviced and allocated a cost.

Mr. Nava asked under Water Field, Section 5 Page 3, does the City overall have a lot of Safety Barricades and can they be loaned to various departments.

Mr. Pedroza answered yes and that is done but what was experienced during the power outage that we had is that when that happens those barricades are very much needed specially when the stop lights went out we found that we were short on them and the Water Department whenever they were doing their work they found that they were in need of more. More than anything we are good for the day to day operations but not for emergencies.

Mr. Nava continued on Section 7 Page 100, the Capital Improvement Program, under Wastewater the work truck, is that a big expensive thing.

Mr. Pedroza explained that at that price it is not your regular half a ton truck he thinks it's more of the 25,000.

Mr. Greer answered it is just a regular pickup anything bigger than that would be \$35,000 to \$40,000.

Mr. Nava asked why it said that it will be leased for \$25,000.

Mr. Pedroza explained that is an error, that is from last year and if it is not aligned to the same row then he will erase it.

Mr. Nava asked if the proposal is to buy that truck for \$25,000.

Mr. Pedroza answered yes that the proposal is to buy it for \$25,000.

No further questions or comments.

5. ADJOURNMENT

Ms. Ana Bernal entertained a motion to adjourn the meeting at 7:00 p.m. Ms. Sandi Thomas seconded the motion. Motion passed unanimously.

Respectfully submitted by

Lorenza M. Gonzales, Committee Secretary

DRAFT