

DRAFT Action/Summary Minutes
Budget Oversight Selection Committee
Vultee Conference Room
Wednesday, Sept. 22, 2010
9:00 a.m.

1. **Call to Order:** Mayor Adams called the meeting to order at 10:11 a.m.
2. **Roll Call:** Mayor Adams and Councilor Ward
3. **Commission Interview:**
 - a. **9:00 a.m. Larry Pack- Larry pack had to cancel the interview due to a family emergency. He will be contacted to reschedule.**
 - b. **10:00 a.m. Steve Segner**

Steve Segner arrived at 10:10 a.m.

Mayor Adams stated Steve was on the two previous budget oversight committees.

Steve stated it was interesting, particularly not coming from a financial background.

Mayor Adams stated two other guys from the previous committees have applied.

Steve stated that's good, they're technical guys. He brings a different perspective.

Councilor Ward stated since he's been involved with the Mayor's budget commission, does he have any thoughts of what the charge or scope of work for this committee should be.

Steve stated he doesn't know for this committee what they have in mind. The last committee was looking at how the city could increase revenue.

Councilor Ward stated what can carry over to the new commission from your work with the previous committee?

Steve stated he realizes now how important the sewer system is with the city's finances. It dominates it in a way. When we looked at it 3 years ago it was almost cheaper not to hook someone up and give them subsidy to set up their own septic system. He's worried that 10 years out the sewer system will become extremely expensive. That's going to be a major concern for the city down the line.

Mayor Adams stated we have about 400 acres out there; we need to see if we can make that something that generates revenue.

Steve stated absolutely. A golf course is off the table because they're going down left and right. Using that space out there would be great. He'd love to see a great big facility that we could use all year round.

Mayor Adams stated another thing we could look at is hiring a private company to take it over.

Councilor Ward stated Council gets presented to them technical financial issues they need to sort out. Do you feel it'd be appropriate for the commission to vet some of those things and give advice to Council?

Steve stated it'd be good to have a third party analyze it and give a recommendation. It's a complicated subject. He's concerned that it's not being looked at and it will come back and bite us. He knows it's a good system but he's concerned a sewer goes down a street and people aren't hooking up to it. Those fees need to be looked at to make sure they're reasonable and they're enough to keep the sewer system up.

Councilor Ward stated there will be more financial issues that will come to Council.

Mayor Adams stated stuff comes up that blows his mind that he hasn't seen, staff never brought it up. Three years ago, it came up that we haven't raised the development impact fees in 12 years. Then Council had to double it. The fact that we haven't raised sewer rates for 12-14 years. That's what he sees the budget commission could look at in the budget. If there's something we haven't been addressing that we should be.

Steve stated he brought up that in most businesses you'd put in a fee that would increase with the cost of living. The last city manager stated that's a political situation that needs to go back to Council.

Mayor Adams stated one goal was to take recommendations out of the political field. You make recommendations and we decide to make them or not. That empowered Council to make decisions we wouldn't have made otherwise. It's important that all things are on the table. There are no sacred cows.

Steve stated staff needs to show a 5-year plan on expenses and here's our shortfall, how are we going to fill this gap? It needs to be brought up from an outside source, but it needs to come from the city manager's office and your office.

Councilor Ward stated that's what we're looking for.

Steve stated impact fees are down now with building going down, should they be looked at again?

Mayor Adams stated having served on a couple committees, what do you see as the real objective of the committee?

Steve stated we need to look at everything we've done in the past and is it appropriate in this economy? Fees need to be looked at and compared to other cities and situations. He gets upset with police and fire standards that say you need so many officers/population; it's not always cookie-cutter.

Councilor Ward stated we have people out there who say we're bankrupt, etc. How do you communicate that to the public?

Steve stated you need to get people in town that other people respect who can spread the message. It's a tipping point. You get people in town who people respect who understand the facts.

Councilor Ward asked if he thinks it'd be helpful if the committee explained the budget to the public at the end of each fiscal year.

Steve stated it'd be less political and be seen as less bias. As time goes on and people see it's a non-political form, then people will start to believe it. I've seen what this city does in the past five years, and they've got their act together and work hard. We need to take complicated issues and make it simple. Maybe we can post it on the web site a little bit easier. City staff isn't good at that sometimes, they're too thorough. An important part would be getting the information to the people on a regular basis.

Mayor Adams stated we've been discussing how the oversight commission can be the voice for the city and be the liaison to the community to add credibility to what our financial position is. We're talking about maybe having the commission create the information that goes on the web site. The other thing is being involved on a public level. Council is now doing quarterly public listenings. Maybe the commission could come to those and speak a bit.

Steve stated that's a good idea.

Mayor Adams stated Council will be wrestling with funding for community events and arts. We'll need to analyze our priorities with our funding and give guidelines.

Steve stated he ran into funding for arts last week at the Lodging Council. The numbers they gave of how much they bring into the city was entirely wrong. The idea of prioritizing makes a lot of sense. When your budget is full, then certain things can be funded at a certain level. When you give money away a few years, then they expect it for the next 5. When you fund on a regular basis then they become dependent on it. Those arts organizations need to be looked at and looked at hard. It should be automatic to see how funding should be determined. It should be some kind of sliding scale or something doesn't happen when X doesn't happen. He started a charity to put animals into classrooms across America. When we go out for grants, it usually says you can't grant three years in a row. If the budget is X, then funding for row B is rated 1-10, and 1-3 will get X. Then next year 1-3 move down the scale. The budget commission should talk about how a master schedule can be put together, but another group should do the nuts and bolts.

Councilor Ward stated about half of the applicants aren't familiar with the city budget process. What would you recommend the city do at the beginning to get people up to speed?

Steve stated: where does the money come from and how does it look like on a bar graph for the past 5 years. Business is all about income and expenses. If this is how much we have coming in on a regular basis, where does it come from, and how does it go out. Which do we have any control over? The idea of self collection for taxes is wonderful. Bringing in new business won't really bring us that much money but getting us more heads and beds is much better. You guys do a great job on the expense side. The

incoming side can get played with. We ought to post every month what the bed tax was and this is what we estimated in our budget. Income, expenses, half a day of explaining the sewer system and bonds. You need to show we have a well-run city with these points.

Councilor Ward asked for Steve's thoughts of our reserve fund, the magnitude of our debt and the uncertainty of the economy.

Steve stated he always has two months sales in his hotel account. What would happen that could affect us to such a point that would put us in danger. If that is too happen, we need X amount of money. You need enough money to pay your debt on a regular basis through good times and bad times. You need to take the biggest catastrophe and be able to keep employees and pay debt.

Mayor Adams stated it looks like we're going to end up with at \$500-\$700,000 surplus for 09-10. So that's going to put our reserve fund at over 100% in the operating fund.

Steve asked how it compares to 7 other cities.

Mayor Adams stated there probably isn't any other city in the state that has that amount in their reserve. The question is: is it time we take down some of that reserve and how much of a cushion do we really need. Right now we have over 12 months. The question is do we pay down debt, do we use it for an investment.

Steve stated in a normal business you have a debt/equity ratio. You have to be able to justify that amount as a cushion. Everything over that cushion might be available to look at. Then the politics come in, where does it go? He doesn't believe in putting people on unless you plan on keeping them.

Councilor Ward stated it's complicated because we laid off people, cut nonprofit funding, yet we have a reserve.

Steve stated if you need them, when and how do you start bringing them back? Next year if you're still looking at that pile of money, then this group can come in and say it's time to open the faucet.

Mayor Adams stated you're not walking into a train wreck. We've done a good job managing the budget. We're predicting an additional 7% decrease in revenue. We may have been too conservative last year. We didn't plug in the increases in revenues we're hoping as a result of our own sales tax and audits. We didn't plug in the difference in the reduction in sales tax because of the reduction in subsidies to the wastewater plant.

Steve stated he likes to look at least 3 years out. Then we're not reacting.

Councilor Ward stated this Council is interested in input so we're talking about a commission that will do meaningful advising.

Steve stated he likes to put things in simple layman's terms for people to understand it.

Mayor Adams stated this commission will work probably 6 months out of the year during the budget process, January-May.

Steve left at 10:59 a.m.

4. Upon a public majority vote of the members constituting a quorum, the Selection Committee may hold an Executive Session, which is not open to the public for the following purposes:
 - a. Discussion or consideration of employment, assignment, appointment, promotion, demotion, dismissal, salaries, discipline, or resignation of any public officer, appointee or employee of the city per A.R.S. § 38-431.03(A)(1). Such discussion on this occasion will be related to the following appointee(s): specifically appointment of members to the Budget Oversight Commission.
5. Discussion/possible action on appointment of members to the Budget Oversight Commission.
6. Discussion/possible action on future meeting/agenda items.
7. **Adjournment:** Mayor Adams adjourned the meeting without objection at 11:01 a.m.

I certify that the above is a true and complete summary of the Budget Oversight Commission Selection Interviews on Sept. 22, 2010.

Alison E. Carney, Deputy City Clerk

Date