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# TOWN OF JEROME, ARIZONA

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## MINUTES

### BUDGET WORKSHOP OF THE JEROME TOWN COUNCIL JEROME CIVIC CENTER - 600 CLARK STREET – STUDIO ONE (FIRST FLOOR) THURSDAY, MAY 28, 2015 AT 10:30 A.M.

<b>ITEM #1:</b>	<p><b>CALL TO ORDER/ROLL CALL</b></p> <p>Mayor/Chairperson to call meeting to order. Town Clerk to call and record the roll.</p> <p><i>Mayor Currier called the meeting to order at 10:30 a.m.</i></p> <p><i>Town Manager/Clerk Candace Gallagher called roll. Present were Mayor Currier, Vice Mayor Freund, Councilmember Stewart, Councilmember Barber and Councilmember Vander Horst.</i></p> <p><i>Other staff present were Joni Savage, Deputy Clerk, and Rebecca Cretti, Finance Director, who arrived at 10:35 a.m.</i></p>
<b>ITEM #2:</b>	<p><b>2015-16 BUDGET</b></p> <p>The Manager will present the first draft of a balanced budget as a starting point for Council's review and discussion. Discussion may include detailed discussion regarding any portion of the budget.</p> <p><i>Ms. Gallagher reviewed aspects of the first draft budget, which was presented as a starting point for Council's deliberations. Referencing a detailed memo she had provided, she explained that the budget, as drafted:</i></p> <ul style="list-style-type: none"> <li>• <i>Anticipates \$9,000 more in city sales tax revenue than was budgeted for the 2014-15.</i></li> <li>• <i>Anticipates less in other general fund revenues, based on receipts for the year to date.</i></li> <li>• <i>Anticipates no rate increases in sales taxes or utilities.</i></li> <li>• <i>Adjusts various expenses based on experience over the past year.</i></li> <li>• <i>Includes a 1.7% across the board wage increase, except in the police department, based on the SSA cost of living increase for 2015. In the police department, includes increases for full-time personnel as recommended by Chief of Police, ranging from 0% to 5%.</i></li> <li>• <i>Includes a provision for payout of accumulated leave, a practice in place but not previously budgeted for.</i></li> <li>• <i>Includes a provision for part-time clerical assistance for P&amp;Z (10 hours per month).</i></li> <li>• <i>Provides \$24,000 for repairs and maintenance of Town-owned buildings, including new flooring for upper floor at fire station and improvements to restroom at police station.</i></li> <li>• <i>Provides \$30,000 for repairs and maintenance to properties infrastructure, to include wall repairs across from the Spirit Room, the Town's contribution toward the School Street access project, and work to address subsidence area.</i></li> <li>• <i>Provides \$15,000 for general water system maintenance and \$25,000 for general sewer system maintenance/replacement.</i></li> <li>• <i>Includes \$34,000 allocated among the water, sewer, properties, parks, and streets budgets for the purchase of a skid steer.</i></li> </ul>

- Includes \$6,000 toward the lease-purchase of a new police vehicle (estimated at \$6,000 per year for five years).
- Includes \$5,000 set aside in the sanitation budget toward the eventual purchase of a new garbage truck.
- Includes a \$4,000 reimbursement from the water budget to the general fund for monies previously advanced.
- Includes transfers from the water budget to the sewer budget (\$13,500) and sanitation budget (\$22,500) to support those operations.
- Utilizes \$72,000 of general fund balance as revenue.
- Utilizes \$20,000 of dedicated fund balance for third floor courtroom construction.
- Includes \$15,000 for litigation expenses, with an additional \$100,000 included in the General Fund Contingency budget for same. The use of those funds in the contingency budget would require the use of additional fund balance in an equal amount.
- Carries over grant funding for the Upper Park/Horseshoe Pit project and includes an added \$10,000 in the Properties budget (R&M Infrastructure) toward that project.
- Carries over grant funding for the School Street access project and includes an added \$10,000 in the Properties budget (R&M Infrastructure) toward that project.
- Carries over \$16,500 in grant funding received from the Yavapai Apache Nation for the purchase of a new shuttle van. If that purchase is made before June 30, this will be removed.
- Reallocates Public Works salaries based on actual hours spent in each department over the past year. As a result, more of those salaries will be charged this year to the properties and sanitation budgets, and less to the water and sewer budgets.
- Reexamines and reallocates administrative overhead, thereby increasing the amounts charged to water, sewer and sanitation and decreasing the amounts charged to HURF and absorbed by general government.

She noted that the budget presented does not yet include:

- Replacement of the swamp cooler at the Artists' Co-op with three portable "splits" (a/c units) (cost not yet known).
- \$50,000 requested by the Fire Department for fuel abatement (removal of paradise trees and dead wood).
- One additional full-time employee, to do double duty as a part-time Public Works crew member and weekend shuttle driver. The estimated cost, with benefits would be about \$35,000.
- Carryovers, if needed, of 2014-15 funding for various projects that may not be complete by June 30 (the School Street Regulator, Sluice Steps/Water Line replacement, and the Gulch septic tank replacement).
- Any additional work on the road to the sewer plant.
- Work on transforming the old Town yard into a public parking area.
- Additional monies, if needed, for the purchase of a new Town shuttle.

Ms. Gallagher went on to say that, at the first budget meeting (in March), she was asked to bring back information regarding secondary property taxes and bed taxes.

Regarding secondary property taxes, she explained that Arizona's two-tiered property taxation system includes a primary tax levy and a secondary tax levy. The secondary property tax allows a city or town to levy a property tax for the purpose of retiring the principal and interest on bonded indebtedness. The amount of the levy cannot exceed the net amount necessary to make the

annual payment and cover any associated expenses and fees. Monies derived from the levy of the tax when collected must be accounted for in separate fund.

Regarding bed taxes, Ms. Gallagher provided the State statute governing that, and noted that any amounts we collect above two percent must be dedicated to promoting tourism. She is in the process of reviewing sales tax records to estimate how much revenue might be provided by such a tax, but offered a very rough estimate of between \$20,000 and \$30,000 per year.

Ms. Gallagher also provided, for Council's reference, a memo providing detailed information about each department's budget and line items contained therein.

Council proceeded to review and discuss the budget at length. Highlights of Council's discussion are presented below, not necessarily in chronological order, and a summary of things that were ultimately agreed upon is presented at the end of these minutes.

- It was noted that utility revenues have increased, and it was theorized that this may be due in part to the fact that we now accept credit cards. It was noted that we currently have 358 utility accounts.
- The possibility of purchasing leak detection equipment at an approximate cost of \$9,000 was discussed and abandoned.
- Ms. Gallagher explained in detail the methodology for calculating administrative charges from the General Fund to HURF and the utilities, and provided a spreadsheet in that regard. A portion of overhead expenses in the General Government budget (administrative wages & benefits, office supplies, computer hardware and service, postage, copier lease, auditing fees and dues/subscriptions/memberships) is charged to other funds as follows: 14.8% each to water, sewer and trash, and 3.1% to HURF. The remaining 52.6% is absorbed by the General Fund. The allocation changed in this year's draft budget, following her re-examination of these costs and their logical allocations.
- There was a lengthy discussion regarding the use of fund balance as revenue. Ms. Gallagher explained that, over the last few years, we have accumulated an estimated \$442,000 in general fund balance as of 7/1/14. This is not necessarily "money in the bank," but the excess of assets over liabilities, and can be used to balance our budget. It is the result of actual revenues exceeding budgeted revenues and monies saved on budgeted expenditures. Mayor Currier referred to it as a "rainy day fund," and said that generally, it is advisable to maintain 20 to 30 percent of the annual budget in fund balance.

Councilmember Vander Horst stated that utilizing fund balance is essentially deficit budgeting, and Ms. Cretti agreed, and stated that this can lower our credit rating and cause banks to charge us higher interest when we need a loan.

Mayor Currier stated that the fund balance we have accumulated belongs to the taxpayers and we should give it back to them. Ms. Gallagher noted that we have put it into capital purchases and projects.

Ms. Cretti suggested that Council could plan for spending with a deficit budget by putting money into savings for four years so that it is actually cash in the bank, then "do a big deficit budget, get your spending out of the way, and prepare for it, then go back to balanced budgets." She said that would look better if we have to borrow money. Mayor Currier said that, while that may be true, we have two-year terms for Council members, and we can't tie the hands of a future council.

Ms. Gallagher noted that, in addition to the general fund, the Contingency Fund includes \$100,000 for litigation costs that, if incurred, will reduce the fund balance, as that is where those funds would have to come from.

Councilmember Vander Horst suggested that we take the skid steer out of the operating budget and put it into a separate capital fund. All agreed that this was a good idea. Ms. Gallagher clarified that monies previously set aside for the purchase of a garbage truck would go into that fund also, and any annual surplus would be transferred to that fund.

	<ul style="list-style-type: none"> <li>• It was noted that the General Fund has been subsidizing the utilities for years, and utility rates have not been increased. The possibility of raising rates was discussed. Ms. Gallagher suggested that, if increasing water rates, out of town rates should be increased to a greater extent than in town rates, due to the cost of maintaining the lines out of town. The possibility of charging for out of town water by distance was discussed, as well as initiating a separate "pipe maintenance fee." It was noted that sanitation rates would need a larger increase than water and sewer rates. Ms. Gallagher suggested that Council may want to consider beginning a program of small annual utility rate increases (say one-half to one percent over the next five years).</li> <li>• Ms. Gallagher noted that the police budget includes \$6,000 for the lease purchase of a police vehicle. The Chief is considering a slightly used Chevy Tahoe 4x4, and the price includes the lights, stickers and radios. \$6,000 represents the first year cost of a five year lease.</li> <li>• Council discussed a "Bed Board and Booze tax." Mayor Currier said that when he mentioned that to the Chamber, they were "not solid on it." Councilmember Vander Horst said that he believes that, if taxes are increased, they would need to be increased for all sales categories. Ms. Gallagher will check with the Town Attorney about that.</li> <li>• Salaries were discussed, and it was generally agreed that our wage rates are too low. Mayor Currier noted that many towns are increasing their minimum wage. The possibility of a 5% across the board increase was discussed, which Ms. Gallagher stated would add roughly \$20,000 to the budget. She noted that increases have been minimal over the past few years. Ms. Cretti suggested that we remove what she perceives as discrimination against women in our wage rates, and specified, in particular, our Librarian. Council discussed that briefly and generally agreed that the Librarian should be recognized as a Department Head, and her wages should be increased accordingly.</li> </ul> <p><b>Summary:</b></p> <p>It was ultimately agreed that the following changes would be made to the draft budget, and a revised draft presented for review at the next budget meeting:</p> <ul style="list-style-type: none"> <li>• Sales tax revenue would be increased consistent with the rate of increase seen over the past three years.</li> <li>• A new 2% bed tax would added.</li> <li>• Utility rate increases will be factored in, as follows:             <ul style="list-style-type: none"> <li>○ Water: 1% increase for in-town users; 10% increase for out-of-town users. Sewer rates will increase also, as they are calculated at 128.3% of water rates.</li> <li>○ Sanitation: 2% increase for all users</li> </ul> </li> <li>• A new Capital Fund will be established to fund the purchase of a skid steer and accumulate funds toward other capital purchases, including the eventual purchase of a garbage truck.</li> <li>• Public Works salaries will be reallocated based on the average time spent in each department over the past five years, rather than using just the prior year.</li> <li>• The next draft budget presented will include a column for estimated actual expenditures for the current year.</li> </ul>
<p><b>ITEM #3:</b></p>	<p><b>ADJOURNMENT</b></p> <p>Upon motion by Councilmember Vander Horst, seconded by Councilmember Stewart and unanimously approved, the meeting adjourned at 12:33 p.m.</p>

Edited by Town Manager/Clerk Candace Gallagher from minutes taken and transcribed by Deputy Town Clerk Joni Savage.

APPROVE:

ATTEST:

\_\_\_\_\_  
Lew Currier, Mayor

\_\_\_\_\_  
Candace B. Gallagher, CMC, Town Manager/Clerk

Date: \_\_\_\_\_