



CITY OF SAFFORD • COUNCIL WORK SESSION • FRIDAY, MAY 3, 2019 at 7:00 a.m.
MEETING LOCATION: SAFFORD LIBRARY PROGRAM ROOM • 808 S. 7TH AVE SAFFORD, ARIZONA
“The mission of the City of Safford is to make Safford a great place to live, work, and visit”

- 1. WELCOME AND CALL TO ORDER:** (Reminder: Please turn off cell phones)
- 2. ROLL CALL:**
- 3. PLEDGE OF ALLEGIANCE:**
- 4. OPENING PRAYER:**
- 5. CITIZEN COMMENTS ON AGENDA ITEMS:**
- 6. CITIZEN COMMENTS ON NON-AGENDA ITEMS:**

- 7. BUDGET UPDATE AND FINAL REVIEW:** Review changes to Preliminary FY 2020 budget to date with Mayor and City Council. **INFORMATION/DISCUSSION**

- 8. ADJOURN:**

Georgia Luster, MMC, Deputy City Clerk

Posted: April 30, 2019

*In accordance with Section 2.04.120 of the Municipal Code of the City of Safford, and Arizona Revised Statutes §§38-431.01 et seq., and 38-431.02 et seq., notice is hereby given to the members of the general public that the City of Safford will hold the above Council Meeting. Members of the City of Safford Council may attend either in person or by telephone conference call. The City Council reserves the right to take action upon any item on the agenda. **DECLARATION ON CONFLICT OF INTEREST:** Council members and staff have a right to declare a conflict of interest. The declaration of a conflict of interest must be made prior to discussion of any agenda item in which Council members or staff member determine they have a conflict of interest. The Council may adjourn at any time into executive session. Meeting Agendas are available on the city’s website at: www.cityofsafford.us.*



CITY COUNCIL COMMUNICATION

TO: Mayor and Council
FROM: Alma Flores, Finance Officer
SUBJECT: Budget Update and Final Review
DATE: May 3, 2019 at 7:00 a.m.

Purpose: Final review of budget proposal.

Background: I am pleased to present the fifth budget workshop; in this meeting we will review of the changes to preliminary FY 2020 budget to date. This preliminary budget continues to use the established principals of the City of Safford set back in 2015. Some of the key elements of these guiding principles include:

- The annual operating budget will be based on the tenet that on-going revenues must support normal on-going expenditures.
- The budget will not use one-time revenue sources to fund reoccurring expenditures.
- Carryover of unspent appropriation from one fiscal year to another will only be done for projects in progress at year end.
- City Council must approve the use of any contingency fund appropriation.
- All capital approved for purchases in the budget must be placed in the asset replacement fund and an annual rental rate structure will be developed to fund its replacement at the end of its expected life.
- The enterprise funds will pay the general government for services provide.
- Short term borrowing for lease purchases should be considered for financing operating capital equipment when the repayment term does not exceed the expected useful life of the equipment, and an ongoing revenue source is identified to pay the annual debt service.
- Vehicle life expectancy for the City fleet has been adjusted to between 8-10 years.

In the previous meetings staff presented and we reviewed the following:

- The five-year Capital Improvement Plan (CIP)
- The revenue Projections by Fund
- The proposed increases in the Landfill Rates
- The proposed Property tax rates for FY 2019-20
- 3% merit pay increase for employees and a \$60,000 set aside for council to use as a possible Christmas bonus
- Economic stimulus and employee retention plan

- Changes to the single item purchase over \$5,000 tax rate
- The various operating budgets by department and fund

During these presentation staff continued to listen to council and adjust the budget as we proceeded through the last three months. This is evident by the number of changes made to the budget between the first draft and what is before you tonight for additional discussion. Since we started the process, the following changes have been included in the budget and is before you tonight for review to ensure we have captured your goals and objective for the upcoming year:

1. The 3% merit pay increase included in the budget can be modified to reflect the express desire to make this a “non-base building” pay or one-time bonus. This item is presented for review and to try and develop a consensus and final direction to staff.
 - a. Staff recommendation is to use the performance metric to determine the level of increase regardless of the type of increase approved.
2. Included in this year’s original budget presentation was an additional \$60,000 for council to use if desired for a Christmas bonus. Staff recommends the removal of this item if the base building merit pay above is treated as a one-time bonus.
3. During this year’s budget we also presented an increase in the stand-by pay hours to 10 hours a week for those on standby or on call status. This is an increase of three hours from 7 hours per week implemented two years ago when it was cut in half from 14-hours to 7-hours. This recommended move will place us to slightly above average when compared to other electric utilities in the region for standby pay.
4. In an effort to address the slow rate of new home construction in the city and as a retention program of staff, we make the following proposals:
 - a. The waiver of single-family permit fees of new construction within the city, as well as providing a subsidy for the water capacity fees.
 - b. Continue the subsidy to the sewer capacity for another year.
 - c. To encourage city employees to consider moving into the city limits we are also recommending that the city provides a \$10,000 forgivable loan, over five years for any employee who has bought a home within the last two years or buys one within the next year. This program could be renewed and reauthorized next year if considered beneficial.
5. Considering the continued depressed market in commingled recycling, staff is recommending discontinuing the curbside recycling program. We are also recommending that a small fee for those willing to pay for a continued but limited recycling service.
6. Upon closer review of the new item of adding two temporary GIS workers to map utility lines in the city we are revising this request to one temporary worker to focus on GIS mapping of all utility meters. We will also reduce the budget line item for the summer youth program to \$10,000, move it to the HR department and coordinate with “Arizona @ Works” to achieve the same objective of providing valuable work/life skills to the youths at a reduced cost to the city.

7. In response to a desire to implement a systematic system of road reconstruction throughout the city, staff is recommending consideration of a change to our sales tax on single item purchase of greater than \$5,000.
 - a. This stimulus package was put in place in 1996 to protect the local auto dealers from the larger dealers in Phoenix and Tucson and to encourage the purchase of automobiles in the city.
 - b. Staff recommends the city council consider one of three options;
 - i. Increase the tax on the single item to 1.5% from 1%. This could generate between \$150,000 to \$175,000 per year.
 - ii. Increase the value of the single item purchase to get the reduced tax rate to \$10,000, this change could generate approximately \$200 to \$250k per year.
 - iii. Leave the subsidize tax rate at 1% for items over \$5,000 but make the portion under \$5,000 subject to the full tax rate of 2.5%. This change could increase the collection to about \$200,000 per year.
 - c. The funds generated by this change in the taxing structure would be used to fund the street reconstruction program estimated today to be about \$150,000 per lane mile.
 - d. While this item was presented in this budget cycle it is not critical that a decision be made before the adoption of this year's budget. No fund or expenditure associated with this idea was included in this year's budget.

In addition to the items above other major spending initiatives in this preliminary budget includes:

- Expansion of the Police Facilities \$2.5 million.
- The purchase of a \$750k Compactor for the landfill
- Completion of a water use agreement with the County for the Fair Grounds and possibly extending the effluent water line to serve the area. This agreement will fix the water rates for use at the fairgrounds at between \$2.20 and \$2.50 per thousand gallons over the next 25 years.
- Over \$1.8 million in road improvements and a total of \$8.1 million in CIP projects
- Three new full-time positions were created and added in this year's budget.