

Special Work Session of the City Council, City of Farmington, New Mexico, held Friday, April 26, 2013 at 9:00 a.m. in the Executive Conference Room at City Hall, 800 Municipal Drive, Farmington, New Mexico, in full conformity with the rules, regulations and ordinances of the municipality.

At such meeting the following were present, constituting a quorum:

MAYOR	Tommy Roberts
COUNCILORS	Dan Darnell Mary M. Fischer Gayla McCulloch Jason Sandel (arrived late)

Constituting all the members of the Governing Body.

Also present were:

CITY MANAGER	Rob Mayes
ASSISTANT CITY MANAGER	Bob Campbell
CITY ATTORNEY	Jay B. Burnham
CITY CLERK	Dianne Fuhrman
DEPUTY CITY CLERK	Melody Coyner

FISCAL YEAR 2014 BUDGET HEARING #3

Mayor Roberts explained that the purpose for today's discussion is to provide direction to staff on how to proceed with developing the Fiscal Year 2014 ("FY14") preliminary budget to be presented to the Council at the May 7, 2013 City Council Work Session. He pointed out that pages 1.3 through 1.5 of the agenda materials provide budget scenarios that include deferring expenditures, using cash, cutting services/programs and a 1/4-percent GRT increase.

City Manager Rob Mayes briefly reviewed how the scenarios were formulated and stated that staff considers a five percent reduction in FY13 actual revenue as a reasonable expectation for FY14 projected revenue, which results in a \$6.5 million budget deficit. He noted that the scenarios are broad-based illustrations and are not the recommended budget.

Councilor Sandel arrived at the meeting at 9:08 a.m.

Directing the Council's attention to page 1.0 of the agenda materials, Mr. Mayes reviewed the FY2008 through FY2013 *General Fund Budget vs. Actual History - Expense* table and the *Expenditure Budget vs. Expenditure CPI Adjusted Budget* graph and noted that the General Fund has only increased \$3.3 million (or 6.3 percent) in the past six years. Furthermore, he pointed out that expenditures have averaged 96.2 percent of the actual budgeted expenditure amount; noted that there has been a surplus every year since 2009 due to revenues exceeding expenditures; and stated the Consumer Price Index ("CPI") has increased 2.1 percent above the General Fund budgeted expenditures during that same time period.

In response to inquiry from Councilor Sandel, Mr. Mayes clarified that the City's budget has only increased by 6.3 percent over the last six years while the CPI has increased 8.4 percent.

Following lengthy discussion regarding previous budgets, Councilor Sandel contended that a "normalized" budget would be \$45 million to \$50 million and argued that the City should be able to provide services to the community at that FY11 revenue level. In response, Mr. Mayes confirmed that the City did maintain services during FY11 but did not maintain the investment in future operating and capital infrastructure, including training, equipment and fleet.

In response to inquiry from Mayor Roberts, Administrative Services Director Andy Mason stated that the budget increase from FY11 to FY12 was 13.9 percent.

Referring to the agenda materials, Mayor Roberts suggested that the best illustration of providing services at FY11 spending levels is represented by Scenario 1 (\$6.5 million in service cuts) and reviewed the potential impacts if the City adopts a budget based on those levels.

Following brief discussion, Councilor Sandel stated that he objects to budgeting based on fear. In response, Mayor Roberts contended that this is not a matter of fear, but of evaluating the realistic options available.

In order to develop the FY14 preliminary budget, Mayor Roberts stated that staff needs direction from the Council regarding the revenue projection of 5 percent below FY13 actual; whether to pursue a gross receipts tax ("GRT") referendum; and whether to use cash in combination with other options to make up the budget deficit.

Directing the Council's attention to page 1.2 of the agenda materials, Mr. Mayes reported that the FY13 projected General Fund GRT revenue "actual to budget" is four percent below budget and that when combined with the proposed five percent revenue reduction for FY14 results in a nine percent revenue reduction from FY13 to FY14.

Following discussion, Councilor Sandel expressed a desire to use FY11 revenue numbers and Councilor Fischer agreed. Mayor Roberts expressed support for using a five percent reduction from FY13 projected actual revenue and Councilors Darnell and McCulloch agreed.

In response to inquiry from Councilor Darnell, Mr. Mayes pointed out that FY14 projected revenue is \$1.9 million less than FY11 actual revenue.

Thereupon, a motion was made by Councilor Darnell, seconded by Councilor McCulloch to use a five percent reduction from FY13 projected actual revenue as the FY14 revenue projection, and upon voice vote the motion carried unanimously.

Mayor Roberts reminded the Council that public feedback on a GRT referendum has been mixed and asked for comments from the Council.

Councilor Darnell stated that a referendum is the only way he would suggest consideration of a GRT increase but that given the City's cash position he does not support a referendum at this time. Councilor McCulloch echoed his comments, stating that the City should use a portion of its cash reserves to balance the budget before asking citizens to increase the GRT. Councilor Fischer stated that she is opposed to a referendum and Mayor Roberts stated he is not prepared to advocate for a referendum at this time because of the City's current cash position and the lack of a strong commitment from the public to increase the GRT. He commended staff for their efforts in establishing the City's surplus cash position.

Thereupon, a motion was made by Councilor Darnell, seconded by Councilor McCulloch to remove Scenario 5 (1/4 percent GRT increase) from discussion during this budget cycle, and upon voice vote the motion carried unanimously.

Mayor Roberts asked for comments from the Council regarding using cash in combination with other options to make up the \$6.5 million expenditure to revenue deficit.

Responding to Councilor Darnell, Mayor Roberts stated that he prefers giving the city manager the discretion to determine the amount of cash necessary to bridge the budget deficit.

In response to inquiry from Councilor Sandel, Mayor Roberts assured him that any proposal for use of cash would be within the context of the existing Cash Reserve Policy and Mr. Mayes concurred.

In response to inquiry from Councilor McCulloch, Mr. Mayes reported that the General Government cash reserves are budgeted in the 101 and 408 Funds.

Councilor McCulloch expressed a desire for there to be a combination of cuts in service and a recommendation from the city manager on the use of cash reserves. Councilor Darnell agreed. Noting that the Government Finance Officers Association recommends a cash reserve of 16.6

percent and that the City has opted for 20.8 percent, Councilor Darnell stated that he is comfortable using cash reserves so long as the reserves do not go below 16.6 percent.

Councilor Sandel announced that he does not support using cash reserves for recurring expenses.

Following brief discussion, Mayor Roberts stated that he "hears agreement" from the Council to use cash in combination with other options to make up the budget deficit.

Councilor Fischer expressed a desire for the Council to provide input on the services that are being proposed for cuts and asked for information on current and anticipated staffing levels.

COUNCIL BUSINESS

Clarification on Council's Intent Regarding the Water and Wastewater Rate Study

In response to inquiry from Councilor Sandel, City Manager Rob Mayes confirmed that there is a water and wastewater rate study in progress that is expected to be completed next spring and stated that no rate increases will be considered as part of the FY14 budget process.

Greenlawn Cemetery

Reminding the Council that consensus was previously given to direct staff to look into the business aspects of Greenlawn Cemetery to determine whether it is financially feasible for the City to own and operate, Councilor McCulloch suggested that serious consideration be given to taking over the operation through the FY14 budget process. Assistant City Manager Bob Campbell stated that he will distribute the Cemetery information packet to the Council.

There being no further business to come before the Council, the meeting was adjourned at 10:30 a.m.

APPROVED this 14th day of May, 2013.

Tommy Roberts, Mayor

SEAL

ATTEST:

Dianne Fuhrman, City Clerk