

Work Session of the City Council, City of Farmington, New Mexico, held Tuesday, May 7, 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

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

NATIONAL CHILDREN'S MENTAL HEALTH AWARENESS DAY PROCLAMATION

The Mayor presented Erin Hourihan, Chief Executive Officer for Childhaven, and Tami Spellbring, Community Service Manager for Children, Youth & Families, with a Proclamation declaring May 9, 2013 as "National Children's Mental Health Awareness Day."

PRESENTATION OF THE FISCAL YEAR 2014 PRELIMINARY BUDGET

Providing opening remarks, Mayor Roberts stated that the purpose for today's meeting is to introduce the Council to the FY14 preliminary budget that has been developed by City Manager Rob Mayes. He pointed out that a Special City Council Work Session has been scheduled for Friday, May 10, 2013 for the purpose of further discussing the proposed FY14 budget which will be presented for preliminary adoption at the May 21, 2013 Regular City Council Work Session.

Mr. Mayes reminded the Council that at the April 26, 2013 Special City Council Work Session, he was directed to prepare a budget that consisted of using cash on-hand and cutting services to bridge the projected \$6.5 million deficit in revenues to expenditures in FY14. Directing the Council's attention to the third page of the notebook titled, "Proposed Preliminary Budget FY 2014," Mr. Mayes reported that the FY14 budget reflects a reduction in expenditures of \$1,016,767 (or 1.78 percent) when compared to the FY13 adjusted budget; noted that revenues for FY14 have been projected at five percent below the actual amount received in FY13; and stated that the preliminary FY14 budget proposes \$3 million in cuts and the use of \$3.5 million in cash to bridge the deficit. He also noted that staff is now predicting a \$49,355 budget revenue less expenditure surplus in FY14 and stated that he is proposing that Childhaven, Family Crisis Center, People Assisting the Homeless (PATH), Presbyterian Medical Services Round Tree Program and Totah Behavioral Health Authority be funded at 75 percent of last year's budget instead of the original recommendation of 50 percent. Furthermore, he recommended that funding for the Community Relations Commission be increased to \$11,500 (a 43 percent reduction from last year) instead of the \$5,000 originally proposed for FY14. He reiterated that staff has been able to maintain levels of service despite the fact that expenditures are \$2.1 million below where they should be when compared with the Consumer Price Index adjusted budget. Providing further explanation of the proposed budget, Mr. Mayes noted that expenditures for FY14 are \$55.9 million which is comparable to the FY09 expenditure budget of \$54.6 million; stated that, historically, only 96.6 percent of the budget is expended because the City cannot legally exceed budgeted amounts; and pointed out that if 98 percent of the FY14 budget is expended, it will only be necessary to use \$2.38 million in cash to balance the FY14 budget. In other words, he explained that it is probable that only \$2.38 million will need to be expended from the 408 Fund to balance the budget instead of the \$3.5 million that he is requesting.

In response to inquiry from Councilor Sandel, Mr. Mayes confirmed that the proposed FY14 budget does not include funding for San Juan Safe Communities Initiative. Directing the Council's attention to the handout titled, "Significant Changes from Departmental Needs Draft Budget to Proposed Budget", Mr. Mayes explained in detail the proposed reductions in services and expenditure adjustments and noted that he is proposing a two percent across-the-board salary increase (a cost of \$266,370) for employees instead of implementing the adopted pay plan which includes an average salary increase of 3.57 percent (a cost of \$706,217). He noted that this represents a 62 percent savings from the amount called for by the pay plan.

In response to inquiry from Councilor Sandel, Mr. Mayes reiterated that the proposed revenues for FY14 are \$52,516,441 (a \$4.4 million decrease from the revenues budgeted in FY13) and stated that projected expenditures are \$55,967,087. As directed by the Council, he explained that he has presented a proposed budget that includes a combination of cuts in service and adjustments equal to \$3 million and is proposing that \$3.5 million in cash be used to bridge the gap between the projected revenues and expenditures. At the request of Mayor Roberts, Mr. Mayes reported that General Fund Cash Reserves are at \$19.7 million and explained that the City's General Fund Cash Reserve Policy includes three levels: 1) the State's recommended cash reserve amount of 0 to 8.3 percent; 2) the Government Finance Officers Association adopted best practices of 8.3 to 16.6 percent; and 3) the City's adopted policy which requires maintaining a cash balance of up to 20.8 percent of the annual expenditure budget and that any amount over that threshold be transferred to the 408 Fund for use on non-recurring and capital items. He stated that since the policy was adopted in 2011, two significant deposits (around \$7 to \$8 million) have been made to the 408 Fund, noting that some of the funds were authorized for capital projects last year, leaving an unencumbered balance of around \$4 million. Furthermore, he reported that staff is anticipating an additional deposit of \$1.25 to \$1.5 million this year due to there being more revenue than expenditures in FY13.

Councilor Sandel provided history on the creation of the 408 Fund and stated that he is strongly opposed to using such funds on recurring expenditures. He asked for details on how much of the proposed \$3.5 million cash expenditure will be used for capital purchases versus salaries. A philosophical discussion followed concerning the types of revenues and expenditures that could be classified as recurring. Councilor Sandel announced that he will be asking each of the Department Heads at Friday's Special Work Session to describe the services and programs that will need to be cut if their budget for FY14 is set at the same level as it was in FY11.

Continuing with his presentation, Mr. Mayes happily reported that this is the first time in possibly 15 years that the Health Insurance Fund will experience a surplus (around \$666,000) rather than a deficit at the end of the year and he reminded the Council that the goal is to maintain a \$2 million cash reserve. He noted that a 10 percent increase in premiums is being planned for FY14 and pointed out that the State Legislature has mandated an increase in the contribution to the Public Employee Retirement Association of .4 percent for employers and 1.5 percent for employees starting July 1. Providing further explanation of the proposed budget, Mr. Mayes reported that the Municipal Judge has requested an increase of \$800,000 for jail fees which has been reduced to \$400,000 and stated that new funds have been created for the Metropolitan Planning Organization (MPO), Red Apple Transit and the Local DWI Alcohol Detoxification Grant.

Councilor Fischer asked staff to provide the Council with information that shows the full-time and temporary staffing levels for each department and asked for detail on how long the temporary employees have been employed with the City. Furthermore, she asked for detail on how many of the library employees are working abbreviated schedules (such as 2 hours a month) and questioned whether this is a burden on the payroll department. She also asked if the Department Heads believe that there are critical projects that are not included in the proposed budget and requested the total amount paid by the City for the past three years in outside legal fees. Lastly, she questioned whether adequate funds are being budgeted in the police department for training and if updated equipment should be purchased (such as new tasers).

Councilor Sandel requested a detailed explanation on the revenues and expenditures for those divisions that are being transferred to new funds. He also requested that the Municipal Judge provide the Council with data that indicates that longer jail sentences have been successful in rehabilitating street inebriates. Furthermore, Councilor Sandel questioned

the reasons why Mr. Mayes is proposing a salary increase in a year where revenues are falling short of expenditures. In response, Mr. Mayes noted that salaries are a legitimate cost of doing business and stated that the City's principal asset is the employees who provide the services. As further justification, he noted that over the past six years there have been budgetary surpluses (revenue exceeding expenditures); cash reserves in the General Fund have tripled; and that the number of employees has significantly been cut. He strongly urged the Council to consider the employees during the budget process, contending that they are what makes the City successful.

With regard to the debate on street inebriates, Councilor Darnell pointed out that Municipal court is simply a piece of the puzzle in trying to deal with the problem. He also agreed that the utilization of cash during FY14 may simply prolong staff from making the service cuts that are needed, but he pointed out that there are a lot of positive things happening in our community that may actually sustain the services and increase revenues in the future.

Noting that there are a number of representatives from social service agencies present in the audience, Mayor Roberts asked for comments.

Erin Hourihan, Chief Executive Officer for Childhaven, pointed out that the amount provided by the City each year has not been increased in over 17 years and pointed out that there will be negative impacts to the community if the services are cut.

Christine Carlson, Director of Totah Behavioral Health Authority, reported that last year the organization provided services to over 500 street inebriates and proudly noted that they experienced a 46 percent increase in employment rates as a result. She stated that they operate on a tight budget and that any reduction in the amount of revenues will negatively impact the services being offered.

Addressing the Council on behalf of Presbyterian Medical Services and Totah Behavioral Health Authority, Mike Renaud contended that cuts to social service programs is counterproductive to reducing costs because the social problems increase as the services decrease.

Councilor Fischer stated that she heard a rumor that there is a potential that the Na'Nizhoozhi Center Inc. (NCI) in Gallup, New Mexico may close and speculated that this could increase the number of street inebriates in Farmington. In response, George Francis confirmed that NCI has experienced a reduction in revenues but assured her that the facility will not be closing. He strongly encouraged the Council to consider funding the Totah Behavioral Health Authority at the same level as FY13.

COUNCIL BUSINESS

Ranking of Farmington as 59th Most Dangerous City in America

Councilor Fischer stated that she has heard that there is an article on the Internet that names Farmington as the 59th most dangerous city in America and asked that staff provide the Council with a copy. In response, Police Captain Keith McPheeters stated that he has not read the article, but speculated that the arrest numbers are skewed because the city's population more than triples on the weekends due to the area being a shopping hub and because of the violent crimes that are associated with the street inebriate population. He contended that the average resident is very safe.

There being no further business to come before the Council, the meeting was adjourned at 10:47 a.m.

APPROVED this 28th day of May, 2013.

Tommy Roberts, Mayor

SEAL

ATTEST:

Dianne Fuhrman, City Clerk