

GRAND JUNCTION CITY COUNCIL WORKSHOP SUMMARY

October 7, 2013 – Noticed Agenda Attached

Meeting Convened: 8:30 a.m. in the City Auditorium

Meeting Adjourned: 3:01 p.m.

Council Members present: All. Staff present: Englehart, Shaver, Moore, Schoeber, Watkins, Kovalik, Romero, Trainor, Nordine, Swindle, Hazelhurst, Franklin, Taylor, Bowman, Prall, Brinkman, Tonello, Starr, and Tuin.

Agenda Topic 1. Budget

City Manager Rich Englehart introduced the meeting recognizing that Councilmember McArthur has another meeting to go to at 3:00 p.m. and noting that this meeting will begin where the September 30th meeting left off.

Financial Operations Director Romero distributed a History of Resources and Uses Worksheet and provided an overview of what was contained on the worksheet. She then went through the various line items. The general fund sales, use, and property taxes since 2009 and the end of year outlook were discussed. Different elements affecting the consumer spending and confidence were discussed.

The labor line item was discussed in detail with the City Manager reviewing the history of the labor force and pay since the downturn in 2009. He noted that the work force was reduced significantly and only a few positions have been added back in. Any position that comes open is analyzed before filling.

The implementation of the second half of the market adjustment was discussed with it being noted that it is a \$600,000 impact to the budget in the General Fund. Council President Susuras noted that with the cost of benefits increasing, salaries will be less. Councilmember Norris expressed concern that the City will lose key people if are salaries not at market pay, especially police officers.

The market study and philosophy was explained in detail including the comparisons used. Other elements of labor costs such as worker's compensation and health insurance were discussed.

The City Council was provided the details of the workforce reduction with City Manager Englehart advising that all positions are analyzed and restructuring is considered to ensure the workforce is as tight as possible. Councilmember Norris suggested that there may be services that should be eliminated in order to provide additional cost savings. Council President Susuras said it is his opinion that salaries are the wrong place to make budget reductions. Councilmember Chazen expressed that a \$600,000 impact is still a big impact and it is his view that it can still be a consideration when balancing the budget.

Financial Operations Director Romero then referred to the next two lines on the worksheet – health insurance and worker’s compensation insurance - pointing out that those fees continued to increase, even in the years when employee salaries were reduced or had no increase.

Councilmember Norris voiced concern over the increased costs for worker’s compensation and asked about the City’s safety experience. Human Resources Director Hazelhurst advised that the City did experience an increase in claims and has since hired a safety coordinator to focus on prevention. The City has taken an aggressive back-to-work policy. City Manager Englehart said he will report to Council next year on all the areas that have made efforts to reduce employee injuries.

Human Resources Director Hazelhurst advised that the City is looking at self-insuring health coverage in order to reduce costs.

Financial Operations Director Romero continued to review the worksheet explaining how lean the operating line items are and explaining that any increases are generally from grants received so there is off-setting revenue. She explained the DDA TIF (Downtown Development Authority Tax Increment Financing) transfer as well as the sales tax increment transferred to the DDA. Both transfers are required for the DDA to have coverage for their bond obligations. There is a ten year obligation.

Councilmember Norris expressed concern that the City may be putting money into downtown at the expense of other areas. Councilmember Boeschenstein agreed but listed improvements that are being accomplished in other areas of town, most notably the roundabout project on Horizon Drive through a RAMP grant and the diverging diamond out by the Mall.

The last items under operating uses included the City’s portion of the Two Rivers Convention Center subsidy, the City Manager contingency, and the Council dues. Economic, Convention, and Visitor Services (ECVS) Director Debbie Kovalik reviewed the history of the Department and the funding of it since 1983.

Financial Operations Director Romero identified \$1.4 million as a margin from prior years. She then reviewed all the other items under Total Resources.

Next, the Total Debt, Capital, and Economic Development numbers were reviewed line by line. There was discussion on the Operations Capital and how the amount has been reduced. Both City Manager Englehart and Financial Operations Director Romero explained the efforts made by Staff to reduce and dial in that number as tight as possible. In conclusion, the worksheet showed a \$2.5 million shortage in funding.

Next, the Council was directed to the Capital Review worksheet. Financial Operations Director Romero explained the color coding on the worksheet.

The capital items were reviewed. There was a discussion on the safety items being considered to be put in place out of the City Manager’s Contingency Fund for 2013. The budgeted

amount was to implement some protections for the City Council. Areas such as Administration and Human Resources would rely on the new protocols. There may be some alterations in the City Clerk's area as it was observed to be the most vulnerable.

Councilmember Chazen referred to the section on the Two Rivers Convention Center noting that there appears to still be some railing on the outside needing attention. ECVS Director Kovalik advised that the railing is not a safety concern. The other items being requested are a higher priority.

Financial Operations Director Romero advised that the total General Fund Operations Capital of \$608,287 matches the amount on the History of Resources and Uses Worksheet, line 39.

Councilmember Chazen inquired about the uncertainty of Community Development Block Grant funds. City Manager Englehart replied there is no word on the funding but anything grant funded will not go forward without the grant funding unless it is deemed a higher priority.

The reduction in the Street Maintenance Major Capital line item was questioned. Public Works and Utilities (PW&U) Director Trainor explained that a significant amount of money was spent in 2013 on overlays and street reconstruction. Additionally, the City recently contracted for a Pavement Condition Index Study which will identify which streets need attention. The results of that study will not be provided until early 2014 but will allow the City to really know where funds should be directed for 2015 and beyond. In 2014, there are significant funds budgeted for chip seal and crack fill projects for the streets. Councilmember Chazen expressed concern on how street maintenance will be able to be addressed to the degree necessary in the future since the out years on the other worksheet show deficits of \$6.1 million and \$15.4 million. Councilmember Boeschstein said the study is important so that funds can be allocated appropriately; chip seal is one way to extend the life of the street and there are significant dollars proposed for chip seal in 2014, 2105, and 2016. He also emphasized the importance of safe pedestrian walkways near schools, specifically the Nisley project in 2014. It was pointed out that currently the City's streets are for the most part in fair to good condition. Engineering Manager Trent Prall compared that to other cities where they have 53% to 64% of their streets in poor condition. PW&U Director Trainor stated that a one year waiting period will not result in severe degradation of the street system. Councilmember Boeschstein requested that in the future any improvements for safe routes to school have a separate line item and be tracked separately.

Regarding the Storm Drainage line item, Councilmember McArthur noted the amount was not enough to solve any of the issues. Streets and Stormwater Manager Darren Starr advised that the \$50,000 shown on that line item is for minor projects his division does on the storm drainage system.

There was a brief discussion on the financial condition of the Grand Valley Drainage District, the City's exposure, and what would happen should they dissolve. City Attorney Shaver addressed ways they are working with the Drainage District to ensure that development is not held up by the situation. There are also some strategies being worked on to fund the 5-2-1 in the future.

Councilmember Norris inquired about the funding of Fire Station 4 relocation, if the amount indicated would be received in 2014? City Manager Englehart advised that with the process occurring with the Pear Park Fire/EMS group taking place, this amount could be moved out to the 2015/2016 timeframe. Fire Chief Ken Watkins said there are really three things going on: the automatic aid agreement with Clifton Fire Department, the idea to create a fire authority, and how to serve the Pear Park area with a station. They want to work through the issues with the Clifton Fire District Board in deciding how to move forward. Relocation of Station #4 would help serve that area and improve service overall. There is still a lot of work to be done before that can happen so completion could probably not be accomplished before 2015. Therefore using some of those dollars to match grant opportunities for the training facility would serve the Department better. Councilmember Norris agreed but noted that they need to be planning for this one and other future Fire Stations that were shown to be needed in the Fire Study they commissioned. City Manager Englehart noted that a partnership with the Airport for a Fire Station location may be a solution for the north area.

City Manager Englehart advised that Persigo will be contributing to the relocation of Station #4 in an amount of \$400,000 as it is anticipated that Persigo will purchase existing Station #4 for their additional site.

Fire Chief Watkins advised that at some point the Fire Department will need to purchase a pump testing kit (pump pit) that was eliminated at Station #1. They have been contracting for the service since then.

After the lunch break, City Manager Englehart recapped the morning discussion on the Fire Station: move the Fire Station construction out and leave the \$100,000 in for the training site resulting in a \$500,000 savings.

Council President Susuras referred to his suggestions on balancing that he had previously distributed. He asked if Council is in agreement with moving the Fire Station construction out.

Councilmembers agreed. Some mentioned caution due to the financial situation in the future. Some agreed with the fact that the population is not growing in that area right now. Another reason for delaying the construction is the work being done with Clifton Fire District hasn't all been worked out.

The next step was to go through the Economic Development and Partnership worksheet.

First the Council addressed the two payments to Colorado Mesa University, \$500,000 for campus expansion and \$500,000 toward the classroom building. Although Council was in agreement with postponement of the payments and the classroom building payment being paid only if revenues will support that payment, there was disagreement on the campus expansion \$500,000 and whether that should be paid as revenues come in, caught up the following year if possible, or just zeroed out with no promise of making up the amount. It was agreed to put it on hold for the time being and it will be reviewed again mid-year 2014.

Next Council President Susuras suggested that on the revenue side, the Council authorize Staff to project a 1% increase in revenues. The majority of Council disagreed.

The Council continued to review the Economic Development worksheet. The City Council discussed the Grand Valley Transit (GVT) funding. The City Council majority agreed to reduce the GVT funding to \$400,000 with the possibility of reconsidering it later.

The next item was the Pro Cycling funding. It was explained that the event will cost the community around \$300,000 with little return on investment. The City Council decided unanimously against budgeting funding for the event.

Next was the Downtown Business Improvement District (DGJBID) payment in lieu of taxes (PILT). Councilmember Chazen noted that the Board has asked that the focus of the BID be changed more toward business development. The majority of City Council was in favor of keeping it in the budget but it could be reconsidered after the DGJBID presentation on October 16th.

Standing sponsorships were explained and all members of Council were in favor of keeping it as presented.

Housing Resources funding for \$5,000 (Councilmember Boeschstein recused himself) and Kids Voting for \$5,000 were left in by the majority.

The majority of City Council was in favor of leaving the funding in for the Business Incubator operations and the Grand Junction Economic Partnership. The City Council unanimously wanted to maintain the membership with Colorado Municipal League (CML). Funding of the Riverfront Commission was not unanimous but the majority left it in the budget as proposed.

The line item for the Museum of Western Colorado was zero and the Council supported the City helping the Museum with in-kind support and signage. For Hilltop-Latimer House, the Council unanimously cut the amount of \$50,000 on the proposed funding worksheet although \$25,000 was suggested but not supported by the rest. It was recommended they come back for grant funding through Community Development Block Grant (CDBG) funds.

For the request from the Western Slope Center for the Children, all of Council wanted to leave in the request; three Councilmembers supported increasing the amount to \$30,000. For Mesa Land Trust (MLT) operating expenses, the majority supported the \$10,000 funding. For the MLT funding for the Monument project (\$150,000), City Manager Englehart suggested the funding come from the Conservation Trust Funds (CTF) and the Council was unanimously supportive of that suggestion.

Regarding the dues, there was some clarifications provided but all dues were supported by the majority.

The last item on the worksheet for 2014 was \$1 million for economic development. The Council was split on taking it off the worksheet but the majority agreed to remove it. The City Manager advised that if a project comes up for economic development, Staff will bring it to Council and money can be appropriated through a supplemental appropriation.

Financial Operations Director Romero then summarized the balance with all of the direction given and including the Avalon Theatre Project contingency of \$619,000 which is what the Avalon Theatre Foundation has pledged. The picture changes if the City receives the grant from the Department of Local Affairs (DOLA). The out of balance amount was \$285,000. All but one member of Council was supportive.

Next, the City Council reviewed the Enterprise Funds.

PW&U Director Greg Trainor introduced the utilities funds which include water, sewer, solid waste, and irrigation. These funds are supported solely by their income and they are all managed through long range financial plans that address revenues, expenses, rates, and fund balances. The fund balances are for emergencies, to offset revenue variability, to take advantage of certain opportunities, to comply with new regulations, and provide debt service reserves. They manage their fund balances with small rate changes and during the economic downturn did not have any rate increases. They were still able to go forward with capital projects to provide work for local contractors. They utilized Build American Bonds to accelerate some capital improvements. That did result in a reduction in fund balances.

PW&U Director Trainor then reviewed wastewater operating fund charts that demonstrated the fund balance with no rate increase, with the proposed increase, and one with a smaller increase. Utilities Manager Terry Franklin explained that a portion of the fund balance will be set aside to comply with the nutrients regulations.

PW&U Director Trainor then referred to another graph that compares the rates with other entities and the City is still the lowest provider in the valley and beyond. Regarding water rates, the City is lower than Ute Water and Clifton Water.

Utilities Manager Franklin explained the debt service payments which include a balloon payment in 2019.

City Manager Englehart asked if there were any rate increases proposed that would affect development. PW&U Director Trainor replied that the plant investment fee will be increasing the previously approved annual increase of 3%. Those fees are only used for growth related capital improvements.

There were discussions on overlapping areas of service for water, the regional provision of sanitary sewer, fire flows, and the Supreme Court decision affecting those items.

Upon questioning from Councilmember Chazen, the percent increases proposed were explained and justified. The amount for a target fund balance of 25% of operation and

maintenance was explained. That is re-examined annually. Financial Operations Director Romero advised that there is a reserve for all three funds equal to \$9.2 million.

When asked about the life of the plant, PW&U Director Trainor advised the plant has been maintained, upgraded, and reconstructed constantly over the last thirty years so there will likely never be a point where the plant needs to be replaced.

Plant Manager Dan Tonello updated the Council on the CNG project to inject the plant methane into the Xcel Energy system.

Agenda Topic 2. Other

City Manager Englehart suggested one more workshop on October 28 to complete this discussion. The meeting would start the same time. On October 14, he proposed canceling the workshop and addressing the Avalon Theatre Sponsorship at the Readiness Session at 5:00 p.m. that day. The Active Threat Training Drill is set for November 6, 2013.

With no other business, the meeting adjourned.

**GRAND JUNCTION CITY COUNCIL
SPECIAL WORKSHOP**

**MONDAY, OCTOBER 7, 2013, 8:30 A.M.
CITY AUDITORIUM
250 N. 5TH STREET**

To become the most livable community west of the Rockies by 2025

- 1. Budget continued**
- 2. Other Business**