

Minutes of the Work Session of the Gallup City Council, City of Gallup, New Mexico, held in the Council Chambers at City Hall, 110 West Aztec, at 6:00 P.M. on Tuesday, June 28, 2011.

The meeting was called to order by Mayor Jackie McKinney.

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

Mayor: Jackie McKinney

Councilors: Mike Enfield  
Cecil Garcia  
Allan Landavazo  
E. Bryan Wall

Also present: Dan Dible, City Manager  
R. David Pederson, City Attorney

Presented to the Mayor and Councilors were the following discussion items:

1. Fiscal Year (FY) 2012 Proposed Budget – Dan Dible, City Manager

Mr. Dible presented an overview of the City's gross receipts tax revenues, four year budget history on personnel expenses, proposed cuts in expenditures by management for the next fiscal year as well as additional budgetary adjustments for the Mayor and Councilors consideration. The gross receipts tax revenues have experienced an average annual growth rate of about 3.85% since 2007. On the other hand, personnel expenses for full-time positions, overtime, allowances, Social Security, Medicare, retirement contributions and retiree health have grown from \$11.5 million to \$15.1 million since 2007. The main problem with the City's budget deals with the way personnel expenses are being managed since employee wages and benefits have encompassed about 66% of the gross receipts tax revenue in 2007 compared to the current projected figure of about 74% of the City's gross receipts tax revenue in 2012.

Mayor McKinney asked about the average percentage of gross receipts taxes that is used for personnel expenses in other municipalities. Mr. Dible said he has solely used such figures to determine the relation between gross receipts tax, which is the City's dominant revenue source and employee wages and benefits, which are the majority of the City's expenses. If the City's budget is managed properly, the decisions for employee wages and benefits must be based on the revenue trend in gross receipts taxes.

Mr. Dible provided a summary of the City's gross receipts tax revenues for FY 2012 which is currently projected at \$20.4 million. He proposed a cut of \$500,000 for capital projects and if gross receipts tax revenue projections are up, he proposed a budget

## MINUTES

City Council Work Session – 6/28/2011

Page 2

session with the Mayor and Councilors around mid-October 2011 to possibly consider allocations for capital projects. Once the budget is close to being balanced, the gross receipts tax revenue can be projected and based on such projections, the budget may be amended at any time during the fiscal year. Total revenues for the City increased 3.85% from FY 2007 to FY 2012 which shows that the current economy is satisfactory.

Mayor McKinney asked about the proposed cut of \$590,000 in the Special Activities (Non-Departmental) Fund. Mr. Dible said the Buildings and Structures line item for capital projects was not funded. Mayor McKinney asked about the proposed cut of \$130,000 from the Municipal Building Fund. Stan Henderson, Executive Director, Public Works Division, said the budget cut primarily consisted of contingency funds for the municipal building and other City facilities. Mr. Dible said if something catastrophic happens to City facilities that requires a large expenditure, the budget can be adjusted at a later time during the fiscal year. Mayor McKinney asked about the proposed cut of \$134,300 under Sworn Police. Mr. Dible said the budget cut was for personnel expenses for four new police officers; however, capital outlay expenses in the amount of \$140,000 were allocated in the budget for new police cars. Mr. Dible said the City may be able to pursue grants to fund personnel expenses for the additional police officers.

Mr. Dible presented a letter to the Mayor and Councilors outlining additional recommended adjustments to the budget that address employee issues, service delivery issues, contracting-out existing City services, intergovernmental issues and City financial policy issues. After applying the recommended cuts by the City's department heads, the proposed budget for the next fiscal year is still \$1,645,688 out of balance. He recommended a \$30,000 transfer from the Legal Department's budget to the City Manager's budget for non-litigation professional services. He recommended a wage freeze which would save about \$197,000 and the elimination of longevity pay which would save about \$200,000. He would not recommend the furlough of employees unless there is a catastrophic downturn in the City's finances. An analysis of the City's take-home vehicle policy will be conducted and out-of-state travel by employees has already been eliminated. Since overtime expenses over the past five years have not significantly increased, there may be a slight effect on expenses related to employees taking City vehicles home. Regarding service delivery issues, he recommended closing Harold Runnels Pool after school begins in August. Although the Aquatic Center opened during FY 2007, the City continued to subsidize Harold Runnels Pool from the General Fund with \$329,000 in FY 2007, \$746,000 in FY 2008, \$239,000 in FY 2009, \$206,000 in FY 2010 and \$214,000 in FY 2011. The Harold Runnels Pool currently needs HVAC work which is estimated to cost of \$500,000 and the wading pool is closed due to compliance issues. He recommended a user fees

## MINUTES

City Council Work Session – 6/28/2011

Page 3

survey to be conducted to see how competitive the City's fees are with other comparable cities and a special events subsidy study to use as input for future special events. Regarding contracting-out existing City services, the services provided by the Economic Development Division are normally contracted out to the non-profit sector in other cities. By contracting out the convention and visitor's function and the grants preparation services, the City will not have to pay the high employee retirement contributions and other benefits. He is proposing to allocate \$180,000 (\$90,000 from the General Fund and \$90,000 from the Joint Utilities Fund) for the Gallup Economic Development Corporation to fund its inaugural year. Regarding intergovernmental issues, he recommended continuing negotiations for withdrawing the Police Department from the Law Enforcement Center and to return the Department to the former police station. The City is currently paying 75% of the bond payments and 75% of the utility costs which total about \$360,000 per year. The lease agreement requires a one-year notice to be given to the County for terminating the lease. The estimated savings for terminating the lease agreement beginning in FY 2013 will be approximately \$300,000 per year. Regarding City financial policy issues, he recommended "at cost" utilities for City facilities, which would save the General Fund about \$767,000. If all of his recommendations for FY 2012 are approved the budget would still be \$359,385 out of balance; however, there will be an estimated savings of \$300,000 in FY 2013 for terminating the lease agreement with the County for the Law Enforcement Center.

Councilor Enfield asked if the \$359,385 figure for being out of balance is assuming that the City is saving \$767,000 in utilities. Mr. Dible responded yes.

Councilor Landavazo asked about the possibility of leasing-out El Morro Theater and the Fitness Center. Councilor Landavazo also said overtime costs is one of the biggest wastes in the City's budget and recommended that department heads take another look at cutting their overtime budgets. Mr. Dible said when the wage and hour rules were developed the federal government determined that hours worked past 53 hours per week were hours identified as overtime hours. The normal firefighting schedule is a 56-hour week and according to federal law, the City must pay overtime for hours worked beyond 53 hours. Mr. Dible said any cuts to overtime expense may be an empty cut since overtime expenses have been flat during the past five to six years. Councilor Landavazo said he would like the matter reviewed to see if there would be any cost savings to the City. Councilor Landavazo said when it comes time to negotiate another contract with the fire union he suggested reducing the number of regular hours in a standard work schedule to eliminate the need for overtime. Mr. Dible said designing a 53-hour work schedule would be very difficult; however, the matter can be researched. Mr. Dible said he would be able to negotiate better cost savings in other areas rather

MINUTES

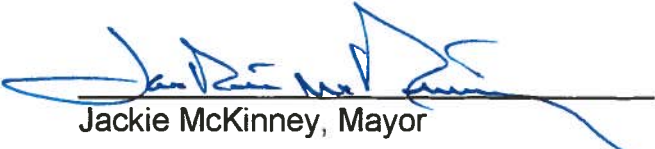
City Council Work Session – 6/28/2011

Page 4

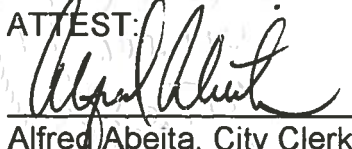
than on the subject of overtime. In preparing for the special events subsidy study, Mr. Dible said he instructed department heads to keep track of the amount of regular and overtime hours for the events. If there are overtime cost that need to be cut in public safety, Mr. Dible recommended cutting overtime for special events. Regarding the possible lease of El Morro Theater, Mr. Dible said the City would not have acquired the facility if a private investor was able make a profit operating the facility. Councilor Enfield agreed with Mr. Dible. Regarding the Fitness Center, Mr. Dible said the private sector has proven that it can operate a fitness facility and make a profit by doing so. The Fitness Center would be the only City facility that would be a viable option to either contract-out or sell to a private operator since its percentage of self-support is in the 80% to 90% range. Other City facilities, such as El Morro Theater, have a low self-support percentage in the 20% range and lower. Councilor Landavazo said there are local people with ideas that are interested in operating El Morro Theater. Discussion followed concerning the bathroom improvements that are needed at El Morro Theater. Councilor Landavazo said there were lodgers' tax funds that were previously allocated for the bathroom improvements; however, the City has not proceeded with the project. Mr. Dible said he does not see El Morro Theater as a big ticket item for a private operator.

Councilor Wall asked if there were City funds available for matching federal grants for utilities and other operational costs. Mr. Dible said under the original budget proposal, the City would use all of its money over the required reserves for operational expenses. Under the revised budget proposal, Mr. Dible said the City would have \$2 million in reserves that could be used for a grant matching opportunity with the federal government. Councilor Wall asked if the City reserves are at the required 11%. Judi Starkovich, Executive Director, Administrative Services Division, said the City's reserves are slightly above 11%. Councilor Wall asked about the Street and Road 1 Cent line item and the Recreation 1 Cent line item. Mr. Dible said the State previously funded recreation with a cigarette tax.

Due to time limitations, the Work Session adjourned.

  
Jackie McKinney, Mayor

ATTEST:

  
Alfred Abeita, City Clerk

Approved 7/12/2011