

## AGENDA

AGENDA OF THE WORK SESSION OF THE MAYOR AND COUNCIL OF THE CITY OF BISBEE, COUNTY OF COCHISE, STATE OF ARIZONA, TO BE HELD ON TUESDAY, JANUARY 31, 2017, AT 5:30 PM IN THE BISBEE MUNICIPAL BUILDING, 118 ARIZONA STREET, BISBEE, ARIZONA.

THE MEETING CALLED TO ORDER BY \_\_\_\_\_ AT \_\_\_\_\_ PM.

### ROLL CALL

#### COUNCIL

Councilmember Anna Cline, Ward III  
Councilmember Joan Hansen, Ward II  
Councilmember Frank Davis, Ward I  
Mayor David M. Smith  
Councilmember Bill Higgins, Ward I  
Councilmember Douglas Dunn, Ward II , Mayor Pro Tempore  
Councilmember Gabe Lindstrom, Ward III

#### STAFF

Richard J. Marsh Jr., City Manager  
Ashlee Coronado, City Clerk  
Keri Bagley, Finance Director  
Andy Haratyk, Public Works Director  
Albert Echave, Police Chief  
Marc Burneleit, Fire Chief

#### CITY ATTORNEY

Britt Hanson

**COMMENTS FROM THE PUBLIC WILL BE ALLOWED AT THIS MEETING. A SIGNUP SHEET WILL BE AVAILABLE.**

THE FOLLOWING ITEM WILL BE DISCUSSED AT THIS MEETING:

1. 5 Year Financial Forecast (Review and Discussion).  
Richard Marsh, City Manager

### ADJOURNMENT

Individuals with hearing disabilities can contact the City Clerk's Office (520) 432-6012 to request an Assisted Listening Device, at least 24 hours before the meeting.

Anyone needing special accommodation to attend this meeting should contact Ashlee Coronado at (520) 432-6012 at least twenty-four hours before the meeting.

Public documents referred to herein may be viewed during regular business hours at the City Clerk's Office at 118 Arizona St., Bisbee.

Pursuant to A.R.S. § 38-431.03(A) (3), the Council may vote to enter executive session at any point during this meeting for discussion or consultation for legal advice with its attorney(s), who may appear telephonically.



**MAYOR & COUNCIL WORK SESSION FOR 01/31/17**

**DATE ACTION SUBMITTED:** 01/24/2017

**DISCUSSION/PRESENTATION ONLY**

**SUBJECT: 5 Year Financial Forecast (Review and Discussion)**

**FROM:** Richard Marsh, City Manager

**RECOMMENDATION:** N/A

**PROPOSED MOTION:** N/A

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**DISCUSSION:** Pat Walker, of Walker Consultants (a consultant to the Arizona League of Cities), will be presenting the 5 Year Financial Forecast she prepared in collaboration with the City of Bisbee Finance Director and City Manager for review and discussion by the City Council. This Financial forecast will benefit the City by allowing us to plan and project future Revenues and Expenses over a 5 Year period, and will allow us to make incremental decisions annually based on this forecast.

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**FISCAL IMPACT:** \$2,300

**DEPARTMENT LINE ITEM ACCOUNT:** 10-52-31000

**BALANCE IN LINE ITEM IF APPROVED:** NA

Prepared by: Richard J. Marsh  
Richard Marsh, City Manager

Reviewed by: Ashlee Coronado  
Ashlee Coronado, City Clerk



October 21, 2016

Richard Marsh, City Manager  
City of Bisbee  
118 Arizona St.  
Bisbee, AZ 85603

Dear Richard:

With more than 38 years of experience in local government, municipal finance and operations, Pat Walker has provided a broad array of management and financial planning services to cities, towns and special districts. Ms. Walker was with the City of Chandler, Arizona, for 23 years and served as the City's Management Services Director and Chief Financial Officer. In 2007, she became a municipal management and financial consultant to cities, towns and utilities across the Country, working with municipalities and utilities performing cost allocation studies, fee studies, budgets, financial analysis and planning. In 2012, she formed Pat Walker Consulting LLC (PWC) to continue her consulting in municipal management and finance services to public sector organizations throughout Arizona.

It is a pleasure that I present this scope of work to the City of Bisbee for consideration to develop a 5-year financial forecast for all funds to project the financial sustainability for the City. In addition, after the completion of the financial forecast, PWC will hold a half day workshop with Council and staff to review the forecast and discuss future needs and how to prioritize them. Further assistance in developing a prioritization system for the budget process can be considered by the City in Phase II of this proposal.

### ***Background of Bisbee's Financial Status***

Prior to the preparation of scope of work, I reviewed Bisbee's financial statements and annual budgets for fiscal year 2014 through August 2016. I did this so I would understand the historical financial status of the City for the past 3 fiscal years in order to develop trend analysis for the revenue and expenditure projections for the next 5 fiscal years; FY17 through FY21.

In reviewing your FY17 financial statements through August 2016, I have the following observations that I would like to include in the discussion with Council at the workshop. They are as follows by Fund.

### ***General Fund***

If revenue and expenditures were received according to what was appropriated in the budget, the City would receive 8.33% of the budgeted revenues and expend 8.33% of expenditures each month. However, due to fluctuations in revenue collections such as property taxes that are revenues that are susceptible to seasonal fluctuations, a straight 8.33% each month is rarely achieved. Likewise, expenditures are subject to the same fluctuation as some contracts for the total year are paid in the first month of the fiscal year showing 100% of the budget spent but when you allocate it out over 12 months, you are right on budget. Therefore, it is important to monitor both revenues and expenditures monthly and determine trends on a quarterly basis, so if adjustments

need to be made such as lowering expenditures because revenues are not coming in as projected, or finding out why an expenditure is so high, this can be done before the close of the fiscal year and addressed.

With 16.66% of the budget appropriated through August, the General fund revenue is close to the budgeted revenues by collecting 14% of the 16.66% appropriated. It appears the reason the revenues are not on target is a combination of items. The largest reason is the timing of the collection of property taxes which is twice a year; November and May. Right now the City has collected 4% of the appropriated property tax but will smooth out when November receipts are in. The Local Sales Tax and State Sales tax are trending about the same at 15% for Local and 15.8% for state collected as a percentage of the budget. This is also nothing to worry about at this time as this revenue has a seasonality factor with the Christmas season and should smooth out.

Other revenues in the General Fund that should be monitored for fluctuations because they are below the 16.66% appropriated amount are as follows:

- Licenses and Permits -8.46%
- Municipal Court Fines - 0%
- Miscellaneous Revenues – 10%

Again, overall nothing to be concerned about at this time but always should be monitored.

Likewise, on the General Fund expenditure side, if all being equal over a 12-month period (which it isn't because of fluctuations in spending), the expenditure to budget should be at 16.66% at the end of August. The City is at 18.1% which is slightly higher but there are some legitimate reasons as I will outline below.

- Mayor and Council – 26.6% expended but primarily a result of paying annual membership dues the first month of the fiscal year.
- Finance – 20.3% expended through August. Largest expenditure is for contracts expended for the first 2 months of the year that will not occur again in the FY. Salary and benefit expenses trending 3% higher than appropriated. May be a change in personnel or benefit increases but needs to be monitored.
- Personnel – Only 6.4% of expenditures have been made for the FY17 budget through August so it may be a result of staff turnover and a vacancy?
- Information Technology – 26.5% of the budget expended through August but again not unusual for this department as there are annual software, hardware and license payments that are made at the beginning of the fiscal year and percentages spent to budget will level out.
- Fire Department – 42.8% of the overtime budget has been spent through August. This may be a result of wildfires that will be reimbursed or increased activity but will need to be monitored or this could greatly exceed the budget by year end.
- Buildings & Maintenance – 28.9% of the budget has been spent through August and is primarily in custodial supplies. 115.8% of budget for custodial supplies have been spent through August but it may be for a full year supply? This needs to be checked into.
- Parks & Recreation & Pool are at 20.7% and 20% and as not abnormal as they are probably at their highest the first 2 months and the last 2 months of the fiscal year and these expenditures will smooth out.

### ***Other Funds***

In reviewing the financial statements through August 2016, I had some other observations I would like to share with you for the Special Revenue and Enterprise Funds.

- The Ambulance Funds should truly be treated as an Enterprise Fund so the City can determine if is self-supporting. In other words, are revenues covering the expenditures and are there reserves being put aside

for capital replacement. It appears the Ambulance Fund may be subsidizing the General Fund or vice versa; can't tell because the expenditures are not broken out accordingly. I would suggest this is something we look at during the financial forecast.

- It appears the Transit Room Tax fund is using reserves to pay for their on-going expenditures which could be risky if not addressed. In other words, they could be paying their mortgage with their savings accounts.
- Street funding from HURF (which is highly restricted to only be used for street expenditures and is monitored by the Auditor General's Office, is normally put into its own fund so the expenditures can be carefully tracked and reported. The cemetery funds are included in this fund as well as some transit room tax. This should be discussed at financial forecast workshop.
- Queen Mine Fund – It appears they are also using a reserve in the amount of \$318,401 to balance their budget. The concern I have as mentioned above, is that a fund can get into a structural deficit position by using their savings account to balance the budget. This is another item we can discuss in more detail as learn more about your funds and accounts.

Overall the City seems to be in a good financial position today, but without a financial forecast and looking at what needs the City has over the next five years, that may not be the case. For example, the City participation rates for Police and Fire employees in the Public Safety Personnel Retirement System (PSPRS) are now at 94% for Police and 84% for Fire. This will continue to have a major impact on the City's financial forecast. Only looking at one year will not tell the City if they are running into a structural deficit in your funds until you are there and then Council may be forced to make reactive decisions versus proactive ones. This is why Richard has asked me to come in and assist the City will developing this strategic financial forecast to avoid the "reactive" decisions.

### ***Services to Be Provided***

At your request and under your direction, the following services will be provided:

The tasks that will be completed are as follows.

1. Preparation of information to develop outline, agenda, and presentation for Council Financial Strategic Workshop. This will include a review of the City's financial position, a report, which you partially have in this scope of work. I will also develop a 5-year financial forecast model and train staff how to use it for the future (8 hours).
2. Work with City staff in preparation of the materials for the workshop including FY2015-16 financial statements and a year to date actual to budget report for City of Bisbee through October 2016. (2 hours)
3. Present Budget Process information that is specific to City of Bisbee to Council and Staff for a 4-hour work session, (4 hours) with 2 hours of travel time
4. Total hours for presentation of budget process specific to the City of Bisbee = **16 hours**

### ***Fees/Time/Withdrawal***

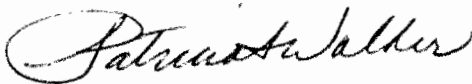
The fees for this engagement are estimated to be up to an amount not to exceed \$2000 or 16 hours with expenses of \$375 for a total amount not to exceed \$2,375.

***Conclusion***

This letter describes the agreement relating to the consulting services described above. Any material amendments or modifications of this agreement that may require additional hours above the hours outlined for in this letter will require approval in writing, signed by both parties, before any additional hours to this agreement is performed.

If this letter correctly describes our engagement, please sign below and I will work with the City in scheduling a date for the workshop. I am anticipating coming out to a session with Council the last week of November/December 2016. Thanks and looking forward to working with you, Council and Staff.

Sincerely,



Patricia Walker, Principal Owner  
Pat Walker Consulting LLC

The above letter confirms our understanding of the services to be performed and the limitations of those services.

Richard Marsh, City Manager

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Signature

\_\_\_\_\_  
Date