

MINUTES

MINUTES OF THE WORK SESSIONS OF THE MAYOR AND COUNCIL OF THE CITY OF BISBEE, COUNTY OF COCHISE, STATE OF ARIZONA, HELD ON TUESDAY, APRIL 10, 2018, AT **5:30PM** IN THE COCHISE COUNTY BOARD OF SUPERVISORS HEARING ROOM, 1415 MELODY LANE, BUILDING G, BISBEE, ARIZONA.

THE MEETING WAS CALLED TO ORDER BY MAYOR SMITH AT 5:33 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

6:17PM

STAFF

Robert E. Smith, City Manager

Ashlee Coronado, City Clerk

Keri Bagley, Finance Director

Dan Duchon, Personnel Director

Andy Haratyk, Public Works Director

Albert Echave, Police Chief

George Castillo, Fire Chief

CITY ATTORNEY

Christine Roberts

THE FOLLOWING ITEM WAS DISCUSSED AND/OR CONSIDERED AT THESE MEETINGS:

1. Presentation and Discussion of the Proposed Budget for Fiscal Year 2018-2019; Budget Training.

Robert Smith, City Manager

Mayor Smith said that they would be discussing the budget and will be doing this for a couple of weeks.

Mr. Smith gave a brief presentation on the process that we were going through to produce the budget that was a little different than what the city's experiences have been. He stated that they had decided that the best way to create a budget for the City of Bisbee was to put all the leadership together to work on all of the departmental budgets. We hoped that the leadership learns more about budgets, learns more about each other's departments and was a little bit better able to tighten up the budget.

We anticipate multiple presentations to the Council. We will continue to explore ideas and improve the budget. As we get to the end the Council will have all the information, Council will know everything that the staff knows and Council will have looked at the final product.

There will be multiple study sessions/ discussions with the Council where we get Council's guidance, input and direction. All of the departmental leadership met together

to review every departmental budget which was done last week. There was 140 years of public experience in that room.

We have about \$600,000.00 or so left to cut out of the general fund and we have not finished working on revenues yet. We are going to continue to work and hope to have productive dialogue and great input/ guidance from Council.

Mr. Smith's goal was to get through this discussion, this process to have a budget that Council likes and that all of the leadership was committed to support.

Ms. Cindy Osborn, Finance Department Accountant said that about this time last year Pat Walker provided a budget 101 training. The training covered a broad overview of municipal budgeting. She shared with Council some training that was a little more specific to the City of Bisbee. Most of Council probably looks at budgeting like they do filing income taxes, a necessary evil. She stated that she has assisted in preparation of a governmental budget for the first time in the mid 80's and, she was hooked.

Accountants spend a good deal of time working with information from the past. Budgeting gives accountants an opportunity to look forward to utilize their planning skills. When she gets to do budgeting she learns more about the department and the people that she works with.

As a municipality we were required to use governmental or fund accounting and in fund accounting there are different types of funds and each type has its own accounting rules and terminology; profit and loss become surplus and deficit, expenses become expenditures, and equity becomes fund balance. The City of Bisbee has governmental funds, enterprise funds, grant funds and special revenue funds. Funds are for the most part established based on reporting needs, funding streams or accounting rules.

It was important to look at more than one report to get a complete picture. When looking at reports comparing actual financial information to budgeted financial information you can only determine the relationship of those two pieces of information. Information was very valuable, but it does not provide a complete picture. Ms. Osborn gave an example of this using the Visitor Center financials from December 2017.

Ms. Osborn talked about fund balance, one of the concepts most often misunderstood was that fund balance was not the same as cash remember the term fund balance in fund accounting takes the place of the word equity in for-profit accounting. She stated that both fund balance and cash were important for evaluating the condition of the entity, but cash and fund balance are not the same amount you can spend cash, you can't spend fund balance without first converting assets to cash.

Ms. Osborn spoke regarding the audited financial statements from fiscal year 08 to fiscal year 16. The cost for governmental activities has increased for 6 of the 9 years. Queen Mine has ended each of those fiscal years with a surplus, Sanitation has ended each of those fiscal year except one with a surplus, Wastewater has ended each of those fiscal years except one with the deficit; over the 9 years expenditures and revenues have increased. She stated that we could all agree that remaining on the same path was not what we desire. She asked the questions; How do we change the path we are on; first we

need to decide what path we want to be on. The path begins with a reasonable and realistic budget reflecting Council's decision and relies on compliance with that budget.

If a budget was not realistic in comparisons between actual and budget do not represent anything realistic, realistic budget was of the utmost importance if management was going to rely on budget to actual accounting reports.

If we want a more accurate picture of what it requires financially to operate departments within the City we must consider all the cost involved. In fiscal year 19 shared cost will be allocated to the general fund departments as well as the enterprise funds also the allocation will be based on a more objective basis and one which was very commonly used. Budgeted Expenditures- this basis allows the spaces of allocation is easy to use and results in an equitable allocation being objective and equitable are the most important criteria when allocating costs.

Once the fiscal year's budget document was adopted by Council it should not be put on the highest shelf possible and forgotten. Monthly financial reports are produced by the finance department and contain budget information but anticipated revenues and expenditures outside normal operations should be noted on the budget document.

Budgets are filled with estimates and if all the pieces are not coming together as expected a plan may need to be postponed till later in the fiscal year or perhaps a subsequent fiscal year. Every decision will need to be a conscious decision to stay within budget throughout the year.

In a nutshell you need to know the current financial position need to know the goal, develop a realistic budget and adhere to that budget.

Mayor Smith told Ms. Osborn that it was an excellent presentation.

Ms. Smith thanked Ms. Osborn for the detail she gave it was very helpful.

Mr. Smith stated that the reason why the enterprise funds are handled differently was because you are charging the public for that service. You can't really subsidize that fund with money from other taxpayers and just because the amounts are on the books and were saying its collectible doesn't mean it's in our pocket. The transition of money out of the general fund into the enterprise funds was generally a bad thing because it means that you are not billing the customer enough to pay for the service.

If we can get the enterprise funds to stand on their own by charging the appropriate rates we can grow revenues to ensure were getting paid for the services that we are offering to the public. Then we can stop some of this supplementation from one fund to the next.

Mr. Smith stated that we needed to cut about \$600,000.00 out of the general fund and that was something that the departments were talking about. He also stated that we would get an accurate draft as soon as we can get to you.

Mayor Smith asked if at all possible that the Council could get a draft before their next meeting so that they could look at it.

Mayor Smith indicated that he attended a meeting last week with the department heads and Mr. Smith in reference to the budget. He made several suggestions and hoped that some of them would be put in the budget.

Councilmember Dunn stated that the next budget meeting would be on Wednesday, April 18, 2018.

MOTION: Councilmember Higgins moved to adjourn the meeting.

SECOND: Councilmember Davis

MOTION PASSED: UNANIMOUSLY

ADJOURNMENT: 6:34pm

David M. Smith, Mayor