

This was the most realistic start to an accurate budget which was a work plan that the City can embark upon in a balanced fashion. It would be an ongoing dialogue and we would be working on this budget with Council throughout the process until it's approved. He mentioned one of the highlights of this budget which was very important for the first time in a long time we've included a raise of 5 ½ % for our employees it will exclude however, salary personnel, and minimum wage personnel.

Mr. Smith gave a breakdown of general services percentages for each department. Everyone pays their proportionate share based on the size of their department. He also talked about "net position" (net worth) at the end of the day where does the organization stand.

REVENUE:

Mr. Smith asked how the budget sessions had gone before since he was not here. Mayor Smith stated that normally we would go section by section and open it up for questions.

Mayor Smith asked about City Sales Tax and the fact that we are lowering this number by so much this coming year about \$450,000.00, and he wanted to know why. Ms. Bagley said that the Auditors stated that the correct way to record the bed tax was directly into the bed tax fund. Previously we recorded all the Sales Tax under City Sales Tax and did transfers out to the Visitor Center and now instead of it showing under City Sales Tax it goes straight to the Visitor Center. She also mentioned that part of the tax that comes into Wastewater is now going directly into Wastewater. Mayor Smith said so it was split out due to the Auditors request. Ms. Bagley stated, Yes. Mayor Smith asked for the figure so the Council would now how staff came up with it. Ms. Bagley and Mayor Smith spoke about the potential of increasing the bed tax.

Councilmember Dunn would like to see us move forward with budgeting for a sales tax audit. He would also like to explore solicitation of a proposal from Local First Arizona Program to provide additional support to their ongoing program in terms of buy at home campaign. Councilmember Dunn was intrigued in terms of the bed tax proposal. He would like to see maybe a portion of that money go to how we can reduce the intrusion of visitors onto local residents. He would also like to see maybe using a portion of that money for outdoor adventure.

Mayor Smith asked regarding Park Use Permit it appears that halfway through the year about 50% portion of the year we are 73% of our budget. He was wondering if that's the case why are we looking for a \$1,000.00 decline next year in park use permit revenue. Ms. Bagley said that the amount was based off of the previous years actual. She stated that it could be adjusted.

Mayor Smith also asked regarding Wildland Fires he didn't see any money in there for this year. Ms. Bagley said that as of December the revenue for the fire they went to in California hadn't come in yet. The paperwork has been filed but the receipts hadn't been filed yet. It should be around \$40,000.00, but because we don't know if there will be fires that they will go to next year we were trying to be conservative. Mayor Smith wanted

Ms. Bagley together with Chief Castillo if they could come up with a realistic figure to put something in.

Councilmember Lindstrom inquired on the Sales Tax does that mean each one of these was going up a percentage and how much was each one increased. Ms. Bagley stated that all the tax numbers come from the state and we try to base the City tax off the previous year.

Mr. Hanson, City Attorney asked about the franchise fees/ revenue it seemed to have fluctuated. He asked what was going on with franchise fees. Ms. Bagley stated that we are about two (2) months behind on payments. She would have to look into why it has dropped. Mr. Smith stated that the cable franchise fee would be a percentage of what they take in. Over the last years we have seen the franchise fee diminish. He said that they could put something together for Council to look at.

Councilmember Dunn asked about the Streets transfer into the general fund in the amount of \$33,596.00. Ms. Bagley said that this last fiscal year Streets ran over budget and the general fund had to make that up.

Councilmember Cline said she thought that we weren't doing any paving until after we collected. Mayor Smith stated that we had gotten a really good deal on asphalt that we purchased before the money was in.

Councilmember Davis asked about the use of fund balance. Ms. Bagley stated that we had to use 1.4 million of fund balance to make the general fund revenues match expenses lot of that was caused by some transfers out of the enterprise funds to make up for their shortfalls.

MAYOR & COUNCIL:

Mr. Smith stated that one of the goals was to include more of the planned work for the year in the narrative for the budget.

Mayor Smith asked if there were any questions on the Mayor and Council budget.

Councilmember Dunn stated that a large item on the Mayor and Council budget was for subscriptions and dues \$6,875.00 and wished that it be described on what that was. Mayor Smith stated that it was for the League of Cities and Towns and these dues were paid at the first of the year.

Councilmember Dunn publically acknowledged that the Mayor travels at his own expense and not to the City.

Councilmember Lindstrom asked that a fund be created to provide refreshments at each Council meetings around \$200.00 each meeting (regular only) something to start it. Mayor Smith said that it would go under Operational Expenses. Mr. Smith said that they would make the adjustments. Mayor Smith said he would like to start that right away so

we can see if it will actually have the intended poll and if we do that we will still have time to adjust this in or out.

Mayor Smith indicated that food / drink could not be brought in to the hearing room it has to stay in the lobby. Mayor Smith asked Ms. Coronado to put this on a to-do list for the next meeting.

CITY MANAGER:

Mr. Smith indicated that he had budgeted for a Sales Tax Audit Contract in the City Manager budget. He explained what a Sales Tax Audit was and how it would be done.

Mayor Smith said that there was \$10,000.00 budgeted for this purpose in this year's budget. Mr. Smith said yes it was, but that it would take some time to get an RFP out and then to go through the bids.

Mr. Hanson, City Attorney asked if this was an audit to help ensure the taxpayers are remitting the proper taxes. Mr. Smith said that it was and it will identify people we can go after from a collection stand point.

Mayor Smith asked about the GF Internal Services \$17,945.00 on the City Manager budget was that the transfer out of the City Manager budget. Mr. Smith said that was his part to pay.

Councilmember Dunn would like to see the City develop a list of all the AirBnB's and vacation rentals by owners here in Bisbee determine whether they all have a business license, whether they are properly registered with the County Assessor's office as a business rather than a residential use, and to see if they are paying the bed tax.

Councilmember Dunn spoke regarding the City Manager pay. The salary was \$112,008.00 and the Deferred Comp was \$24,811.00.

Councilmember Lindstrom asked why the Education and Training was so much for the City Manager's budget. Mayor Smith stated that it had to do with keeping certifications. Mr. Smith said that it was \$1,000.00 more than in the past. There were some courses that he does take to remain current on what was going on in Arizona and in the Country. The materials that he purchases with the money he also makes available to staff.

Councilmember Lindstrom asked why it was an increase of \$2,000.00. Councilmember Cline stated that it was the Business Travel line that Councilmember Lindstrom was looking at. Mr. Smith said he planned on going to several conferences this year and these would help him stay current.

Councilmember Lindstrom asked where the money came from when we hired Mr. Smith (the increase) from Mr. Marsh. Mayor Smith said that it didn't come from Mr. Marsh it was the money that was left in the City Manager budget and then from contingency.

FINANCE:

Mayor Smith asked about the .49 and .3 FTE positions. Ms. Bagley said the current year finance budgeted for four (4) full time positions, two (2) half-time positions budgeted, and a quarter (30%) person. This coming year finance was hoping to get five (5) full time people and one (1) at 3/4. This person would help with work on collections.

Councilmember Cline asked regarding the fifth person that finance was hoping for would one of the part-time people be moved into the full-time position or was this a completely new position, would we keep the two (2) part-time and the one (1) 30%. Ms. Bagley stated that right now finance had only one $\frac{3}{4}$ of the time which took over payroll duties. So right now Finance has four (4) full-time people and then the person that does payroll (30%). This would be keeping that position at the level that they are at and adding one (1) more full-time person to the department.

Councilmember Davis asked if that was where the salary increase was. Ms. Bagley said that part of the increase was the COLA increase for all employees and a couple of performance increases. It ends up being 936 more hours in Finance and additional benefits that we are paying.

Councilmember Cline asked if every department was doing merit increases or just certain departments. Ms. Bagley said that if the department head requested it.

Mr. Smith said the cost of living adjustment that we are providing was not going to minimum wage people or salary people it was only going to hourly paid people. The 5.5 % was only being applied to those people. He thought it would be around \$200,000.00 across the entire town. We also have longevity increases that employees are entitled to by policy and it hadn't always occurred.

Mr. Smith said that there was a lot of work for the department that has to be done as well as the normal everyday process which was why we were looking for the additional hours. We need it to get the work done.

Councilmember Lindstrom asked why Contract Services increased over \$20,000.00. Mayor Smith said it was for software like Caselle, Arizona Department of Revenue, Open Government, Utility billing, and Online bill pay. Councilmember Lindstrom asked why the increase. Ms. Bagley said the Utility billing was included in Contract Services \$13,000.00, but if we go with a company to do our Utility billing for us it will reduce the postage by \$9,000.00 It was really just a \$4,000.00 increase and about \$4,600.00 for Online bill pay which was going by some of the proposals that we have received.

Councilmember Lindstrom said what he was seeing so far was the Education and Training / Subscription and Dues are going drastically way up and that seemed to him that if anything was to be cut those are areas that can be cut.

Mr. Smith stated that those are areas that we can't cut because the staff that we have had here has been in place for quite some time and they have not had the funding to get

training to go out and find out how other people are doing things. They haven't had the opportunity to go to conferences and learn how to use new software or keep up with law.

Councilmember Davis said that education was always a good investment.

Mr. Smith stated that investment in education will pay for itself many times over across all of our staff.

CITY CLERK:

Mayor Smith asked if the change in salary was the raise to the Assistant City Clerk. Ms. Coronado stated that it was the COLA for the Deputy Clerk and also the longevity for her five (5) year anniversary.

Mayor Smith asked that Ms. Coronado let people know what Contract Services was. Ms. Coronado stated that Contract Services was our document management software and it was also our meeting recording/ playback- Liberty Media.

Councilmember Cline asked about the requested but not able to fund it was for Agenda Management Software. What would this software do? Ms. Coronado said that we draw up our agendas with word documents. This software would make the department head more responsible for putting in their items in on time and it would also make sure that it got checked by legal, finance and then to the City Manager for approval. It would automate the process of putting the agenda together because right now we are doing everything with paper.

Mayor Smith asked how much time that would save. Councilmember Cline said in terms of man hours. Ms. Coronado stated a lot it takes from Monday through Thursday morning to put together the agenda for a regular session. We have to make corrections and kick it back if there are issues. It was just a whole lot of back and forth and the software would stream line that process.

Councilmember Cline said that essentially it would pay for itself in the long run. Ms. Coronado said absolutely.

Councilmember Cline asked that the software be worked into the budget somehow.

Mr. Hanson asked if the software would allow members of the Council and public to see individual agenda items and the documents associated with them. Ms. Coronado said that it would be like what the County was using. Mr. Hanson stated that it would be a huge timesaver.

Mayor Smith asked that it be put back into the budget. He asked if this was a proprietary situation are there more than one that we would need to do an RFP for this.

Mr. Smith asked that Council let Ms. Coronado to look for the best software that fits our needs and go from there.

Mayor Smith asked if we could get the figure of what this would cost so that we could put it into the budget.

Councilmember Dunn spoke regarding there being no cameras in the hearing room. He thought this was the most important thing we can do for transparency.

Councilmember Cline said that the camera did provide a service for those who couldn't make it to a meeting.

Ms. Coronado added that we do have the audio uploaded in the morning after a Council meeting to provide something to the citizens as soon as we can.

Mr. Smith said that they have had a couple of meetings with Cable One about our cable TV channel which was analogue and very fuzzy. We are trying to work out a trade that would give us some sort of streaming capacity so that we might be able to stream our stuff live. He will keep Council updated on the negotiations with them.

Mayor Smith spoke regarding GF Internal Services a reminder that this was everybody paying for their fair share of the "City Package".

COMMUNITY DEVELOPMENT:

Councilmember Dunn asked that the money be restored to \$20,000.00 in the line item for economic development. He didn't know how we could operate a city and not have at least a fund account that we can tap for special needs and be able to enhance our economic well-being. He stated that he had presented on the possibility of contracting with Local First Arizona to help us to develop and support local businesses.

Mayor Smith asked how much of the \$20,000.00 in this year's budget have we spent.

Ms. Bagley stated that between \$5,000.00 to \$10,000.00 had been spent.

Mayor Smith stated that he was not opposed to putting the money in there, but would like staff to compile a comprehensive list of our assets to see if we are actually in need and if not bring it to Council and see if there's some of that, that could be offered for sale or whatever in order to fund Community Development.

Councilmember Davis agreed with Councilmember Dunn that there does need to be money in economic development.

Mr. Smith clarified that they will add \$20,000.00 back into that budget.

Ms. Bagley said that the requested but not be able to fund \$15,000.00 for iBisbee was that part of the \$20,000.00. Councilmember Dunn said he was not proposing that there be any reference to iBisbee it should be economic development.

Mayor Smith said that it would go into economic development in which iBisbee would be one potential requestor.

ADMINISTRATION AND GENERAL GOVERNMENT:

Mayor Smith asked if there were any questions on Administration and General Government. He also asked if there were any questions on the transfers that they see in the budget. He stated that citizens needed to know what the explanation was regarding the transfers.

Mayor Smith asked about the transfer to Streets \$291,701.00. Ms. Bagley said that Streets fell short of their revenues over expenditures this money will make up the shortfall. There basically was too much expense in there right now.

Mayor Smith asked about the transfer to Wastewater \$7,529.00. Ms. Bagley said they had to budget that 1.3 million in depreciation expense part of that was covered by the Wastewater Fund balance what was remaining would have to be covered by general fund \$696,699.00. Mayor Smith said that was for Sanitation. Ms. Bagley said that Wastewater was mostly covered and Sanitation was the same situation.

Mayor Smith went on to ask about the Bisbee Bus transfer. Ms. Bagley same as the others they are short on their revenues. The City does have to provide them with a match, but they are still quite a bit short. Mayor Smith asked if this was depreciation again. Ms. Bagley said that it was not for the bus.

Councilmember Cline said she thought that the bus funded itself and it was all pass through money. It was funded by the grant money that we get.

Ms. Bagley said that the bus grant covers 60% of operational expense and 80% of admin so it was not fully reimbursable. There was a grant match basically that the City had to cover.

Mayor Smith asked if this was a figure in the red was there some grant money then for those free passes that offsets this some other place. Mr. Haratyk said that one of the problems was that every year we receive less and less money from the state to run the bus. He said the thing about the free passes was that you have the people on the bus but you are not collecting the fair for that pass.

Mayor Smith asked Mr. Haratyk if we have the offset for this through a grant. Mr. Haratyk said "Yes". Mayor Smith asked Mr. Haratyk to tell him what that offset was. He said we are looking at the transfer figure but it was not telling us what the differences was.

Ms. Osborn said that for the Bisbee Bus we get money from ADOT, fairs and from SEAGO. The SEAGP money comes to the AAA Program which was to pay for those who are elderly and disabled who get passes there was federal money that flows down and the SEAGO money was to assist paying for those passes.

The amount that was not covered was partly matched and partly expenses are just over and above what the revenue was. Often times in grant situations almost all of the City's match money came from another grant most City's do not use their own dollars for the

bus. That grant no longer exists so what we have now was previously when there was grant money that was used as match now we have to use our own money as match because we can't use the grant money that we no longer have so that was why we have the shortfall increasing over the years.

Mayor Smith said have we actually lost \$80,000.00, does the bus cost us the City of Bisbee \$80,000.00 to operate. Ms. Osborn stated that it cost the general fund that much.

Mayor Smith said some of these questions in reference to the bus transfer would be better put off until we get to the bus page, which will make it a little more understandable.

Mayor Smith stated that he really wanted to flag this area for further discussion when the time comes. He also stated that his plan was for Council not to go more than two (2) hours he thought that we tend to become less productive after that time.

MOTION: Councilmember Higgins moved to adjourn the meeting.

SECOND: Councilmember Davis

MOTION PASSED: UNANIMOUSLY

Mayor Smith thanked the City Manager and Staff for all their work.

ADJOURNMENT: 8:36pm

David M. Smith, Mayor