

MINUTES

MINUTES OF THE WORK SESSIONS OF THE MAYOR AND COUNCIL OF THE CITY OF BISBEE, COUNTY OF COCHISE, STATE OF ARIZONA, HELD ON WEDNESDAY, APRIL 19, 2017, AT 5:30PM IN THE BISBEE MUNICIPAL BUILDING, 118 ARIZONA STREET, BISBEE, ARIZONA.

THE MEETING WAS CALLED TO ORDER BY MAYOR SMITH AT 5:30 PM.

ROLL CALL

COUNCIL

Councilmember Anna Cline, Ward III	5:32pm
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	Excused

STAFF

Richard J. Marsh Jr., City Manager
Ashlee Coronado, City Clerk
Keri Bagley, Finance Director
Andy Haratyk, Public Works Director

CITY ATTORNEY

Britt Hanson

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

1. Presentation and Discussion of the Proposed Budget for Fiscal Year 2017-2018.
Richard J. Marsh Jr., City Manager
Keri Bagley, Finance Director

Councilmember Dunn commented that this was his fourth budget and in the past the budget had been presented to us as a way of getting by one more year and thought this budget presented to us would be much more than that. He stated that we had some serious financial issues. He spoke regarding the retreat that was held in February. He also commented that this budget was different than the ones in prior years and hoped we would have a good discussion.

Mayor Smith indicated that he would allow Call to the Public.

- Susan Blackford, Bisbee resident said that it was illegal to take funds from an enterprise fund to pay for the general fund. She also spoke on the hiring of more employees with money we do not have. She let the council know that they were legally accountable to the tax payers.
- Luche Giacomino, Bisbee resident spoke regarding the Youth Council Fund.

Mr. Marsh stated that what was before council was a factual budget with the understanding that there may be some changes made by the end of this process.

Mr. Marsh gave a presentation overview on the following:

- Viewpoint Expression Safe-Zone
- FY 2017-2018 Budget Process
- FY 2018-2020 Action Plan
- FY 2017-2018 Budget Highlights
- Budget 101 Orientation
- FY 2017-2018 Revenue/ Expenditure Projections
- FY 2018-2022 Five Year Forecast – Pat Walker will be presenting
- FY 2017-2018 Public Works Budget – Keri Bagley will be presenting

Ms. Pat Walker explained the agenda of the presentation she would be giving. It would be an Introduction / Over view, Budget “101”, Baseline Financial Forecast 2016-17 through 2021-2022 and the Next Steps.

Ms. Pat Walker gave a detailed presentation on the following:

- Purpose of Budgeting
- Budget Process
- Components of a Budget
- The Operating Budget
- General Fund
- Sales Tax
- Sales Tax Forecasting : Retail, Construction, Hotel/Motel & Restaurant & Bar, and Utilities
- Franchise Taxes
- Property Taxes- Municipal
- State Shared Revenue
- State Shared Income Taxes
- Other Revenues
- Inter-fund Transfer
- Fund Balances
- Special Revenue Funds
- Capital Project Funds
- Capital Budgets
- Debt Service
- Enterprise Funds
- Expenditures
- Expenditure Limitation
- Preparation of Requests
- Contingency Reserves: Conflicts
- Impacts to Budget
- Financial Forecast
- Financial Policies: Recommending; Operating, Reserves and Long-term Financial Planning Policies
- Next Steps

Councilmember Hansen still had questions regarding the contingency fund and having it in the budget and balancing. Ms. Walker explained how the contingency fund worked and that you see it on both sides. Just because you have it doesn't mean you spend it.

Mr. Scott Ries stated he was shocked by the numbers when he looked at the budget. His question was with the projected revenue growth would that be enough to pay our bills. Ms. Walker explained that the assumptions were incorrect for the budget and went on to explain about paying the bills. We are borrowing from our savings. Our revenue was not growing with the rate of our expenditures. He asked how the bills are going to get paid. Mrs. Walker stated that it was just like your personnel finances if you are not making enough to pay your bills you will dip into your savings or get a loan or you cut out what you don't need.

Mr. Ries asked if the PSPRS numbers were plugged into this budget and do we have enough money to pay the bills. Mayor Smith stated that the numbers were plugged into this budget. Mr. Marsh stated that the money was built into the budget to cover the pension obligation for both police and fire.

A citizen stated he didn't see a contingency on declining revenues. Ms. Walker stated we could do a lot of what if's, but we still have the same decisions to make proactively vs. reactively that was why you monitor it and update every year.

Mayor Smith stated that normally there wouldn't be this back and forth, but this is transparency and we wanted people to really know what's going on rather than what has happened in the past. He also stated that we needed people to use the microphone and to stay on topic.

Mayor Smith thanked Ms. Walker for all of her work and time.

Ms. Keri Bagley stated that the State Shared Revenues had gone up slightly which comes from the state and the city tax. The fees were budgeted at right about where we will be at years end FY17. She thought it would be better to be conservative with our numbers for next year that way we don't budget for expenses based on revenue that we are not sure we are going to get. If we do get it, it can go towards increasing that contingency balance.

Councilmember Dunn stated that the revenue estimates were very conservative. He still has a concern in terms of whether or not we were collecting sales tax and bed tax fully for our community the numbers here were quite different and it concerns him. He felt that we should be more aggressive in terms of people paying due taxes.

Mayor Smith stated that there were a couple of different programs that we were looking at and bringing to council for just that item.

Mr. Bagley mentioned that the city sales tax looks so much smaller than what was budgeted last year. The street tax was budgeted to come straight into the city sales tax and transferred to streets but now we are putting it straight into streets and it will come in pretty close to where it was budgeted at.

Councilmember Hansen asked another question regarding fiscal year 2018 regarding the sales tax have you already taken out what was supposed to be going to the streets. Ms. Bagley stated "Yes".

Ms. Bagley commented on the short falls that were budgeted; where the revenue was estimated but we have taken in nothing. A lot of the expenses were based on revenue that never came in for Fiscal year 2017. She stated that the transfers into the general fund are the same as we do every year they are just increased by a small percentage except for the one for wastewater.

Ms. Bagley started her presentation on the following Public Works Department Funds: Water Systems Budget.

Councilmember Cline asked Mr. Haratyk if we had any current issues with the fire suppression system and do we have adequate water pressure because we know we are going into fire season. Mr. Haratyk stated that "Yes" the reservoir was full the water level was at fifteen feet in our well and we are able to pump water and keep the system going. They have made a few repairs to the system where there were leaks. We are in good shape unless there was a catastrophic break in the line or a catastrophic break in the reservoir itself.

Mayor Smith asked that in reference to the electric we are allocating -was this the worst case scenario. Mr. Haratyk stated "Yes" if we had to use that reservoir it would double in one night.

Ms. Bagley continued with the Public Works Department Fund: Cemetery Budget.

Councilmember Cline asked Mr. Haratyk about the water in 2016-2017 budget we had zero now we are looking at the proposed budget at \$1,200.00 but a year end estimate for 17 at \$1,737.00. She wanted to know where that water was going. Mr. Haratyk stated that they had actually installed water at the cemetery. This was the initial startup cost.

Councilmember Dunn proposed that the donations be increased for the cemetery the Bisbee Foundation will be donating money for cemetery software, adopt a-tree program and a kiosk. He would like this line item to be increased to \$10,000.00.

Ms. Bagley continued with the Public Works Department Funds: Building Maintenance Budget.

Mayor Smith questioned the Custodial supplies amount was the \$5,000.00 amount a realistic figure. Ms. Bagley stated that they received monthly reports from public works and at a quarterly basis they reallocate the items to the different departments so this number should decrease.

Ms. Bagley stated that the Public Works Administration budget decreased about \$40,000.00 due to allocating a portion of one of the administration salaries to wastewater, streets and sanitation. It was to reflect the time that they work on the other enterprise funds.

Mayor Smith asked about line item Professional Fees since no money had been spent what we are anticipating. Mr. Haratyk stated that it was for Engineering Services for different things we need in the city.

Councilmember Cline asked if one of the employee's salaries was coming out of this budget. Ms. Bagley stated that all three; Andy and the two Admin assistants are in public works and a percentage of their salaries are allocated to the streets, wastewater and sanitation.

Ms. Bagley stated that the Garage Budget had no major changes just a decrease of \$3,842.00 due to the year-end estimate to where we thought we could reduce it for FY 18.

Mr. Haratyk explained the maintenance on vehicles at the garage and gave some background information.

Councilmember Cline asked how many employees we have coming out of the Garage. Ms. Bagley stated there were just two full time employees at the garage.

Ms. Bagley stated that the Parks Maintenance budget increased \$13,780.00 due to adding an additional part-time person. Parks has been using an additional part-time person on and off to help. Mr. Haratyk explained what was needed in the parks department and what they do.

Mayor Smith asked about the operational expenses in the Parks Maintenance budget being over in the past years. Wanted to know if the \$10,000.00 was a realistic figure because it was less than half of what was being spent this year. Mr. Haratyk stated that it was not enough and not enough in landscaping materials either. They will really have to knuckle down in parks.

Councilmember Hansen asked how many employees will there be in Parks. Mr. Haratyk stated that he would be hiring seasonally. They already have one part-time person.

Councilmember Hansen also asked when they would be getting the mower and how much was currently in donations. Mr. Haratyk stated \$5,000.00 and only \$15,000.00 off total of \$20,000.00 to buy the mower. Councilmember Hansen stated that we could be saving money if we bought the mower and were not using the weed eater's. Mr. Haratyk agreed with Councilmember Hansen.

Councilmember Cline asked for clarification on the number of employees. She asked if we had one full time and two part-time or was it one full-time and two part-time and you are adding two part-time. Mr. Haratyk stated that they had one full-time and one part-time and what he wanted to do was add a part-time seasonal.

Ms. Bagley stated that the Pool budget had increased \$48,647 due to added salary and benefits to cover pool employees. She also stated that there was over \$35,000.00 collected in donations that would help with those expenses and to keep the pool open longer this season.

Councilmember Hansen asked if the \$35,000.00 donations would pay the salaries. Ms. Bagley stated that it would help offset the costs and that the actual cost for the salaries would be the \$41,000.00.

Councilmember Dunn discussed that only \$15,000.00 was added in the donations for the coming year. Ms. Bagley stated that it could be changed at the time of the budget preparations they weren't sure if it would be an ongoing item. He also wanted to know where the fees collected come into this. Mr. Haratyk stated that in the past we had had a private contractor who collected the fees and we didn't get a list of what they collected for fees. He didn't want to make this amount up for the fees. He also stated that the \$15,000.00 would get us from Memorial Day through July. He hopes that we can rely on the citizens to donate \$30,000.00 a year.

Mayor Smith noted that we also had a three year commitment with Copper Queen Hospital. Councilmember Dunn stated that it should be reflected in the budget.

Councilmember Dunn said that there should be a line item for fees it could be at zero at this point. He was interested in the long term sustainability in the pool and this budget does not indicate that. Mr. Haratyk stated that pools aren't sustainable – pools are money pits. Mayor Smith said that

pools do lose money it was a quality of life issue and the council had to decide. Councilmember Dunn stated that it was not just a council decision it was a community decision also.

Councilmember Cline also discussed the fees that have been collected in the past. She also asked how many life guard's we are looking to hire. Mr. Haratyk stated five (5). She asked five guards total and will we be hiring a pool manager. Mr. Haratyk stated five (5) the pool manager will be a guard. She also asked how many hours. Mr. Haratyk also stated that they are looking into that now; there would be no more night swimming. We were working with the Friends of the Pool to establish hours and looking at 8-11am for adult swim and from 11:30-12 until 3-4 in the afternoon we will have mixed swimming at the pool. Mr. Haratyk discussed the guidelines for the number of lifeguards needed and certifications that will be needed.

Councilmember Cline asked about the cleaning supplies for the pool was budgeted for. Mr. Haratyk stated he would be taking that out of his building maintenance budget. He stated that there was no money to run the pool. He talked about the consolidation that had been done in public works to get this done.

Ms. Bagley mentioned that the salaries was based on the number of hours from when the pool was open from July 1st until the first week of September and then from Memorial Day through the end of June. They figured out how many days a week and how many hours they would be open times how people we would need.

Ms. Bagley stated that the Senior Center Budget indicated that there weren't any big changes. But maybe making some changes in the future as far as the level of support the city gives to the center. This year it remains the same they didn't have enough notice to come up with a plan.

Councilmember Dunn spoke regarding in the past the Senior Center becoming an enterprise fund. Mr. Haratyk gave some background information regarding this. He stated that we needed to find a way for the Senior Center to be more self-sufficient and off from under the city.

Ms. Bagley stated the Government Grant budget had no major changes and a little bit of it had been used in Tintown last year and maybe this coming year. Since it was a grant if we spend the money it gets reimbursed. She stated that there were no Transpiration Grants.

Ms. Bagley went on to the Streets Budget and indicated that the budget was increased revenue/expenses by \$7,385.00 it was not much of a change. The HURF numbers are based off of what we get from the state. We tried to keep our expenses within those revenues so that we can work on that fund balance.

Mayor Smith asked about line item Vehicle Parts & Labor we have been spending quite a bit of money and it shows \$1200.00 as opposed to the \$16,000.00 we spent this year. Mr. Haratyk wasn't sure what happened. Ms. Bagley stated that this happens when you look at a lot of numbers and you missed this it can be corrected.

Mayor Smith indicated to council that staff and the city manager would be getting together based on the notes that we had given them and then they will go ahead redo this section and get it out to us to look at prior to the next meeting.

Councilmember Cline asked how many employees' salaries are coming out of this budget. Mr. Haratyk stated four (4) full-time employees and we were also paying some of the salaries for the

admin assistant and part of his comes out of here. Ms. Bagley stated that it was a small percent of their salary that comes out.

Councilmember Cline also asked about the Professional Fees line item. Mr. Haratyk stated that an adjustment needed to be made there.

Councilmember Dunn commented on his intent to move forward with the redesign and paving of the east entrance off of highway 80 in Old Bisbee and that council would be receiving a recommendation from the iBisbee Committee regarding. He would like to have us move forward immediately preparing drawings and specifications for that project for council and public review.

Ms. Bagley spoke regarding the Airport Budget and indicated that it had been decreased revenues/ expenses by \$25,000.00 they had set the gas revenue and rents at where they were at FY 17 and the gas revenues seem like they have been going down every year. They don't exceed their expenses. We just set the expenses to revenues which was pretty close to where they will be at year end estimate for 2017.

Councilmember Cline asked about the transfers to the general fund it was done to \$5,160.00 was it use of reserve funds. Ms. Bagley stated that it was use of reserve funds to make up for the short fall of revenues to cover these expenses. It was not actually needed if you look at the amount of expenses it was pretty much covered by the gas / rents revenue.

Councilmember Dunn commented that we pay \$100,000.00 for street lights. Mr. Haratyk gave some background information regarding this and stated that it was an absorbent cost for lighting.

Councilmember Hansen asked if there was a move to go to LED lights. Mr. Haratyk stated there was a move, but we have to pay for them. Councilmember Hansen asked what the investment would be. Mr. Haratyk explained that to remove a pole would be between \$1,000.00 to \$4,000.00, that was the cost APS wanted from the city to remove a lamp post to just remove a light was between \$500.00 to \$1,200.00. There was much discussion from Council regarding this. Councilmember Cline said that along the lines of Councilmember Dunn's comment she had been asked about the lights on Main Street it used to be that the lights came on the day after Thanksgiving and then stayed on for the season, but they are lit up year round and wanted to know how much that costs the city. Mr. Haratyk stated that those were LED lights and that Ken Budget had done a cost analysis. We bought them specifically to keep them on all year round. He also stated that it was a metered charge from APS and those lights have not changed the metered charge and that the metered charge had not gone up.

Councilmember Hansen asked that they look at the LED lights for next year's budget (some type of program). Mr. Haratyk said absolutely.

Ms. Bagley spoke regarding the Wastewater Budget and indicated that it had increased revenues/ expenses by \$108,202.00. The revenue was expected to remain the same. There was a \$272,900.00 transfer to the general fund that was proposed because the general fund fell short of revenues by almost \$300,000.00 over expenses. There needed to be some way to make up that revenue short fall and wastewater had money that they didn't budget to use this year. We are proposing to do a one-time transfer to the general fund or a loan that would be repaid depending on how quickly it would be paid back and if we don't know the time frame then it would be considered a one-time allocation.

Mayor Smith indicated that his preference was that we don't spend tonight debating if this should be done or not / or how it was to be done, but rather we continue with this budget to come up with our final number because we don't even know what that final number would be.

Councilmember Cline asked the city attorney if it was legal to do that to take money from an enterprise fund and put it into the general fund. Mr. Hanson, City Attorney stated that "Yes" it was. In the charter there was a requirement that to do that kind of transfer takes five votes of the council. Special Revenue Funds are typically are more of an accounting device than they are a legal requirement.

Councilmember Dunn asked the city attorney if the amount budgeted for legal service were they providing that amount of time for legal services to the wastewater. Mr. Hanson stated "No". He thought it was just to fill legal services not a true allocation of their time. Councilmember Dunn asked if we need to check with our auditor regarding fees can only cover cost of service nothing more.

Ms. Bagley said that there has been a large amount of time that legal had spent on the amnesty program, property liens, court orders, foreclosures and bankruptcies that come in and all of those pertain to the wastewater department.

Councilmember Dunn asked about the electrical fees for wastewater. Mr. Haratyk explained what they use and how with regards to the electric. Ms. Bagley stated that prior to the solar panels we were spending about \$10,000.00 a month \$120,000.00 a year.

Councilmember Dunn suggested that adjourn for the night and pick up with Sanitation next Wednesday. No one had any objections.

MOTION: Councilmember Dunn moved to adjourn the meeting.

SECOND: Councilmember Davis

MOTION PASSED: UNANIMOUSLY

ADJOURNMENT: 8:45pm

David M. Smith, Mayor