PROCEEDINGS OF THE COCHISE COUNTY BOARD OF SUPERVISORS
SPECIAL MEETING HELD ON
Monday, July 18, 2016

A special meeting of the Cochise County Board of Supervisors was held on Monday, July 18, 2016 at 10:00 a.m. in the Board of Supervisors' Executive Conference Room, 1415 Melody Lane, Building G, Bisbee, Arizona.

Present:	Richard R. Searle, Chairman; Patrick G. Call, Vice-Chairman; Ann English, Supervisor
Staff Present:	James E. Vlahovich, County Administrator Edward T. Gilligan, Deputy County Administrator Britt W. Hanson, Chief Civil Deputy County Attorney Arlethe G. Rios, Clerk of the Board Lynette Nowlan, Finance Director Lois Klein, Consultant to the Finance Director Mike McGinnis, Budget Manager Eric Silverberg, Court Administrator Ruben Miranda, Internal Services Administrator/Fleet Services Director Lisa Marra, Communications & Community Relations Administrator Julie Morales, Human Resources Director Mary Gomez, Public Support Services Administrator/Health & Social Services Director Nike Noack, Financial Services Manager Joel Larson, Public Legal Services Administrator/Legal Defender Carol Capas, Public Information Officer, Sheriff's Office David Raber, Finance & Technology Services Administrator/Information Technolgy Director Carol Schneider, Deputy Finance Director

Chairman Searle called the meeting to order at 10:17 a.m.

ANY ITEM ON THIS AGENDA IS OPEN FOR DISCUSSION AND POSSIBLE ACTION

PLEDGE OF ALLEGIANCE

THE ORDER OR DELETION OF ANY ITEM ON THIS AGENDA IS SUBJECT TO MODIFICATION AT THE MEETING

ACTION

Board of Supervisors

1. Adopt the Tentative County Budget for Fiscal Year 2016-2017 in the amount of $187,542,686 (this amount is composed of $81,499,080, in General Fund and $106,043,606 in Special Revenue funds) and approve the Decision Packages as set forth in attached exhibit.

   Supervisor English moved to adopt the Tentative County Budget for Fiscal Year 2016-2017 in the amount of $187,542,686 (this amount is composed of $81,499,080, in General Fund and $106,043,606 in Special Revenue funds) and approve the Decision Packages as set forth in attached exhibit. Vice-Chairman Call seconded the motion.

   Chairman Searle asked why a round number was not used.

   Mr. Vlahovich said that staff wanted to be detailed.

   Mr. Vlahovich used a PowerPoint presentation to do the overview of the tentative budget adoption. He showed the current summary of all funds and noted that the general fund would be increased by $45,000. He added that another factor to loss of revenue was due to a decrease in the County's population.

   Vice-Chairman Call asked what the cost per person was and how much population was lost.

Supervisor English said that it was 385 people with a cost of $450 per person.

Mr. Vlahovich gave an update on revenues for fiscal year 2015/2016:

- **State Sales Tax -** $300k below projected budget of $12.7 million; State had projected $13,668,000; Projecting $12.4 million this FY
- **Local Sales Tax -** $566k below projected budget of $7.2 million; Projecting $6.7 million this FY
- **Real Property Tax –** projecting $24,782,210 by End of Year; projected $24,047,480
- **General Fund – Vehicle License Tax -** showing slight increase at $181K with 9 months of revenues
- **HURF/VLT -** showing increase of $574k with 9 months of revenues
- **Vacancy savings** - higher than projected - $2.7 million; projected $2.6 million
- **Overall** - FY 15/16 has tracked as projected (Revenue-Expenditure) mainly due to Johnson Camp Mine back tax payment

Mr. Vlahovich noted that the vacancy savings would not be as high in the coming year as several director positions would be filled. He also noticed that the current turnover rate was high.

Vice-Chairman Call asked if a 17% turnover rate was high.

Mr. Vlahovich said it was high for local government organizations.

He moved on to the current fiscal year cash balances, general fund cash carry forward and noted that there was only $9,000,000 available. He gave a summary of the five year projections beginning with next fiscal year and noted that the property tax revenue is beginning to flatten out.

Supervisor English asked if the property tax revenue was flattening out due to new construction.

Mr. Vlahovich said that some of it was new construction. He added that staff was also working on updating court consolidation agreements to try and break even with the County's costs associated with those duties. He said that the general fund would also be covering the detention officer pay plan this upcoming fiscal year, which is a new cost. He noted that although there is a decrease in expenses and departments are holding the line, revenues are not coming in.

Vice-Chairman Call asked how long the cumulative loss had been tracked and how it is applicable today.

Ms. Klein said it began eight years ago at the beginning of the recession and it was the County Administrator's responsibility to track it and ensure a plan was in place to cover the short fall. She added that all changes that impact revenues/expenses are factored in.

Mr. Vlahovich said that the shortfall for the upcoming fiscal year is $2,800,000.

He listed several budget issues:

- Future State shifts – unknown
- Payment in Lieu of Taxes (PILT) – unknown $1.8M ~ 36 positions
- Retirement costs continue to increase
- Health insurance costs continue to increase
- Return to Competency (RTC) – State Hospital costs
- Facilities and Information Technology (IT) – Ongoing costs
    - Radio Maintenance
- Fuel/Vehicle Replacement - Approved dollars ($800,000) were not moved to General Fund for Fiscal Year 15/16. Additional monies are available for Fiscal Year 16/17.
- Highways Funding - $1,000,000 not needed for operations this year
- BDI Water System - $1,000,000 needed
- Solid Waste
    - Rural Transfer Stations – Continued 1/2¢ Subsidy - $267,826
    - Move to open top haul trailers – pilot project
    - $2,500,000 cumulative debt to General Fund from operations
    - Shortfall of $3.50/ton next Fiscal Year with approved increase to $60.50/ton
    - Cell 4 constructionPersonnel Related Issues

- Insurance
    - Health - Affordable Care Act
    - Disuse of CCT CCF & discontinue health insurance rebates & premium holiday ($238,000 increase for health and dental)
- Comp Plan – Ongoing costs
    - Salary Savings - $940,000
- One-time Distributions
    - Taken from previous year operational savings
    - Based on performance
    - $1 million earmark moved into Contingency

Supervisor English said that employee health insurance costs had to be shared with employees as revenues declined.

Mr. McGinnis said that dependent health insurance costs were passed along to employees this year.

Chairman Searle said he was comfortable with absorbing health increase costs since the County had not been able to address salaries over the last couple of years.

Mr. Vlahovich said he recommended that the County does not do a premium holiday this year.

Vice-Chairman Call said that the County was looking at a compensation plan update, which should address salaries and therefore would like for staff to bring options to the Board for health coverage.

Mr. Vlahovich moved on to RTC costs and said they were increasing to $39,000 at the beginning of the next calendar year. He added that ongoing utility costs for the joint communications center had not been budgeted.

Supervisor English asked if the Sheriff planned to reorganize their current office.

Ms. Capas said that there was a plan to reorganize their office.

Mr. Vlahovich moved on to the status of the Douglas Hospital and Tovreaville buildings. He said they should be ready for sale soon and noted that it should positively impact declining revenues. He continued with budget issues and noted that the fuel/vehicle replacement monies had not been used last year, but would be needed for this year.

He reminded everyone that the meeting to set tax rates would be held on August 15, 2016. He noted that staff would also have to advertise the fee increase for solid waste and bring before the Board as a public hearing. He also explained the limitation of using certain funds for enterprise fund projects.

Supervisor English asked if the enterprise fund conditions applied to the Bisbee/Douglas International Airport projects.

Ms. Klein said that it did not because the water system upgrade was a capital project.

Mr. Vlahovich said that he was recommending spending money from ½ cent sales tax for certain capital projects as many County buildings were in need of maintenance.

He continued with personnel related issues and said that staff would be rolling out phase 1 of the compensation plan soon and added that staff had met with Department Directors about the new compensation plan and would also communicate with all employees.

Mr. Gilligan said that one issue that staff had to address was the new threshold for exempt employees by federal regulations.

Chairman Searle asked if funding had been included in the budget for a one time distribution.

Mr. Vlahovich confirmed it had, but noted that in lieu of the one time distributions staff suggested those funds be used to address the first wave of salary adjustments.

Supervisor English asked how much money was set aside to address salaries.

Mr. Vlahovich said he was planning on using the salary savings, which currently has $940,000. He then covered current personnel, 931 employees budgeted, but only 850 positions filled. He spoke on the ½ cent sales tax summary and listed current revenues and expected expenses.

Supervisor English asked about the office phone upgrades.

Mr. Raber said that there was a need to upgrade phones and noted that it was a continuous replacement.

Mr. Vlahovich moved on to the decision packages and used a handout to go over the requests. He said he was not recommending approval of the Sheriff's Office requests. He stated that the current agreement with the Arizona Department of Public Safety for the gang and illegal immigration enforcement project could pay for increases, but would not necessarily cover equipment costs.

Mr. McGinnis noted that there was funding in the grant for equipment costs, but the Sheriff's Office had already designated those funds for other purposes.

Mr. Vlahovich said that if the Board wanted to approve all the decision packages staff would have to take loans out to ensure the expenditure limit was not reached.

Ms. Klein explained that any additional costs to equip the additional deputy sheriff's would come from ½ cent sales tax as would any ongoing costs.

Chairman Searle asked why Mr. Vlahovich was not recommending the Sheriff's requests.

Mr. Vlahovich said that he based his recommendation on the impact to the expenditure limit and ongoing costs.

Vice-Chairman Call said he thought the County should take advantage of the grant.

Supervisor English asked what the reasoning was for the need of five additional deputies.

Chairman Searle said that he would like to see more coverage in his district.

Supervisor English stated that the Board could not dictate where deputies would be stationed once they were approved.

Mr. Vlahovich said that he needed clarity on what decisions the Board wanted to move forward with.

Supervisor English noted that once decision packages were approved by the Board they needed to be completed before the next fiscal year in order to avoid impacting the upcoming year's expenditure limit.

Mr. Vlahovich said staff would commit to getting things done before the end of the fiscal year.

Supervisor English asked counsel for clarity on how the amended motion should be worded.

Mr. Hanson said the Board could either amend the motion and list every approved item or amend the motion with the exceptions as discussed.

Mr. Vlahovich continued with his presentation and discussed the foothills building remodel and noted the funding for this project would come from ½ cent sales tax.

Supervisor English asked what the project would entail.

Mr. Miranda said that it would be a complete remodel of the counter area, security upgrades, and exit door changes.

Chairman Searle asked what this would do for customer service.

Mr. Vlahovich said that it would create a one stop shop for citizens in the Sierra Vista area and save them a trip to Bisbee to do County business.

Ms. Riggs said that the new remodel would also address risk management concerns.

Vice-Chairman Call said that the building had not been addressed in several years and it was time to upgrade.

Ms. Klein said she would address expenditure limit issues and explained the process. She noted that many capital projects were needed and this would impact the expenditure limit as well as the loss in population. She added that in order to increase the expenditure limit the citizens would have to vote to approve that and it would be a two year process.

Vice-Chairman Call clarified that an increase to the County's expenditure limit was not an increase in taxes. He added that the County had the funds to address several major capital projects, but due to the expenditure limit restrictions, the County would most likely have to take out loans.

Ms. Klein said that the expenditure limit was an old law that needed to go away.

Mr. Vlahovich moved on to his recommendations, the budget schedule, and summary.

Chairman Searle said he wanted to welcome the new Finance Director, Lynette Nowlan. He thanked staff for their work on the budget.

Supervisor English amended her original motion and added the changes to the decision packages as discussed during the meeting. Vice-Chairman Call seconded the motion.

Chairman Searle called for vote and it was approved 3-0.

Chairman Searle adjourned the meeting at 11:44 a.m.

APPROVED:

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Richard R. Searle, Chairman

ATTEST:

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Arlethe G. Rios, Clerk of the Board