

**PROCEEDINGS OF THE COCHISE COUNTY BOARD OF SUPERVISORS
WORK SESSION HELD ON
Tuesday, May 24, 2016**

A work session of the Cochise County Board of Supervisors was held on Tuesday, May 24, 2016 at 2:00 p.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, Member

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
Lois Klein, Finance Director
Mike McGinnis, Budget Manager, Finance Department

Attendees: Lisa Marra
Carol Schneider
David Raber
Shelley Ritenour
ReaAnne Servia
Mark Dannels
Christine Rhodes
Tom Alinen
Ruben Miranda
Mark Genz
Karen Riggs
Tom Crosby

Chairman Searle called the meeting to order at 2:02 p.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

INTRODUCTIONS

ITEMS FOR DISCUSSION

Board of Supervisors

1. Budget Work Session - Overview of Fiscal Year 2016-17 Budget and Review of Department Budget requests.

Mr. Vlahovich used a PowerPoint presentation to go over several budget topics: current revenues, cash balances, and general fund cash carry forward. He addressed the contingency issue at the Library and noted that the book mobile service would remain, but staff would research more cost effective ways to provide those services.

Supervisor English asked if there was any revenue coming in from the big construction projects around the County.

Chairman Searle said that Mr. Phil Leiendecker, County Assessor had advised that the revenue from those construction projects would not come in until 2017.

Mr. Vlahovich moved on to other costs to the general fund, including \$230,000 for the detention officer pay plan. He said that staff was also working on the court consolidation agreements with the different cities. He added that retirement costs were also increasing.

Chairman Searle asked about the lobbyist focus on Fort Huachuca.

Mr. Vlahovich said that he would arrange for a work session with the consultant to brief the Board on the focus for keeping the mission on Fort Huachuca as the fort had a major economic impact on Cochise County.

He moved on to shortfall projections and said that in order to keep the County financially fit the focus would have to move to increasing revenue and cutting expenses. He briefly went over cumulative loss, vacancy savings, unspent expenses and revenues and added that the shortfall for the upcoming fiscal year is \$2,800,000. He said that decision packages had already been built into the budget and thanked staff for holding the line.

Mr. Vlahovich then went over options to address the shortfall: hiring freeze; use of the cash carry forward, general fund reserves and flood control district reserves; property tax increase; use of half cent sales tax, use of fuel savings contingency; and use of fleet replacement fund.

Chairman Searle asked why the entire amount of the shortfall could not be addressed with the general fund contingency.

Mr. Vlahovich said that the general fund contingency could be used, but he wanted the Board to consider several options. He added that using any of the shortfall options was a one-time fix. He moved on to the consequences of the shortfall: reduced cash carry forward; reduced personnel levels; service level impacts; and employee morale.

Chairman Searle asked about the details of the court consolidation agreements.

Mr. Gilligan said that once court consolidation agreements are in place the County will be reimbursed for its costs.

Mr. Vlahovich said that staff was looking at more ways to partner with different government entities in the County, as well as working across the State to research issues like juvenile detention costs. He stated that staff was also looking at mandatory services versus non-mandatory.

Chairman Searle asked about current fees, specifically the building inspection service.

Mr. Vlahovich explained that most of the revenue for the planning and zoning division came

from building inspections.

Mr. Vlahovich moved on to the property tax history.

Supervisor English said that keeping the current tax rate meant that the County was not getting the revenue it needed to break even. She urged the other members to seriously consider raising the tax rate in order to properly fund County services.

Mr. Vlahovich said that there were also other budget issues of concern: future State cost shifts are unknown, Payment In Lieu of Tax (PILT) funding was not stable, retirement costs, health insurance costs, Return To Competency (RTC) costs, and costs for Facilities and Information Technology projects.

Supervisor English asked if staff would be researching health costs.

Mr. Vlahovich said that staff and the Cochise Combined Trust would be looking at different health care options.

He moved on to mental health costs and noted that Mr. Eric Silverberg, Court Administrator was looking into those costs to see if local programs can assist.

He updated the Board on other budgetary issues: Arizona Counties Insurance Pool (ACIP) shortcomings and Facilities Capital Improvement Plan; Fuel/Vehicle replacement; Solid Waste costs.

Chairman Searle asked about future fuel costs.

Mr. Ruben Miranda, Fleet Services Director, said that it was expected to be 25 cents less than the current year.

Mr. Vlahovich added that the Highway system was also doing well and that during the upcoming fiscal year staff recommended the \$1,000,000 of general fund monies not be transferred to Highway.

Vice-Chairman Call said he was concerned about staffing. He added that if putting more money into the system helped keep crews whole he would be in support of that.

Ms. Riggs said that staff would work on crew assignments to ensure maximum efficiency.

Mr. Vlahovich discussed the Solid Waste system. He stated that the system was very complex and had many moving parts and noted that the debt back to the general fund was \$2,500,000.

Supervisor English said she was interested in using \$1,500,000 from half cent sales tax and added that she did not think the general fund should be used to supplement the solid waste system.

Vice-Chairman Call asked about the research done by staff on how to improve the system.

Ms. Riggs said that staff would be presenting different options soon.

Mr. Vlahovich moved to personnel related issues: insurance costs, compensation plan update, and one-time distributions. He said that staff recommended that the County not provide a health rebate or health holiday in December due to concerns about the cash carry forward of the Cochise Combined Trust.

Chairman Searle asked why the entire shortfall could not be taken from the general fund.

Mr. Vlahovich said that if that was the direction of the Board it could be, but using that strategy would mean that the reserves would be gone in three years.

He moved on to the half cent sales tax summary; decision packages by department; fuel contingency; light fleet replacement schedule; and other recommendations from staff regarding the shortfall for the budget.

He asked the Board for direction.

Vice-Chairman Call said that he had a concern regarding the expenditure limit and thought the \$1,300,000 microwave project debt should be paid off.

Ms. Klein said that paying off that debt was a risk since capital leases do not count towards the expenditure limit if the County pays it off in two years.

Chairman Searle said that he thought the money set aside for one time distributions should be used for pay increases.

Mr. Vlahovich said that pay raises are not sustainable, if other budgetary concerns are not addressed.

Supervisor English said that more revenues had to come in if employee salaries were going to be addressed. She added that citizens had to understand that if they wanted good services, the County would need to raise the tax rate in order to get the needed revenues.

Ms. Rhodes thanked Supervisor English for wanting to raise taxes in order to address budget shortfalls.

Vice-Chairman Call said that he agreed that monies for one-time distributions should be used to address increasing salaries. He added that he did not want to move forward with raising taxes and would like to use cash carry forward funds to address the budget shortfall.

The Board said that the direction given would help Mr. Vlahovich move forward with finalizing the budget.

Chairman Searle adjourned the meeting at 3:26 p.m.

APPROVED:

Richard R. Searle, Chairman

ATTEST:

Arlethe G. Rios, Clerk of the Board

