

**PROCEEDINGS OF THE COCHISE COUNTY BOARD OF SUPERVISORS
WORK SESSION HELD ON
Tuesday, September 27, 2016**

A work session of the Cochise County Board of Supervisors was held on Tuesday, September 27, 2016 at 11:00 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, 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
Lynette Nowlan, Finance Director

Chairman Searle called the meeting to order at 11:00 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

INTRODUCTIONS

ITEMS FOR DISCUSSION

Board of Supervisors

1. Discussion and possible direction regarding the Expenditure Limit set for the County.

Mr. Vlahovich said that Vice-Chairman Call had requested a work session to discuss the expenditure limit. He gave the history, background, and options associated with budgetary decisions. He explained that although the County has the funding to pay for capital projects, the expenditure limit poses a problem and more often than not loans have to be used instead of outright purchases since they are exempt.

He stated that the expenditure limit is an issue every time the County has to make a decision on a capital purchase. He stated that staff would discuss options with the Board during the meeting.

Ms. Nowlan gave an overview of the topics that would be discussed:

- History
- Basis

- Reporting
- Penalties
- Options
- Request Board Direction

She added that the expenditure limit was set to protect taxpayers and limit government spending. She noted that the expenditure limit is regulated by the Economic Estimates Commission, which also is responsible for calculating and publishing the amounts for each government entity in the State.

Vice-Chairman Call asked if a constitutional amendment would be the only way to increase the expenditure limit.

Ms. Nowlan said yes. She added that the base is the actual expenditures for fiscal year 1979-1980 and then the amount is adjusted for inflation and population growth.

Vice-Chairman Call asked if grants were included in the calculation for the expenditure limit.

Ms. Nowlan said that they were not included depending on the type of grant, but that staff would be researching all grants to ensure they were properly categorized. She said that this year's expenditure limit was \$65,748,995.

Supervisor English asked if the inflation was different between Pima and Cochise counties.

Ms. Nowlan said it was very similar.

Supervisor English said it would be helpful to see if salaries are tied to inflation in order to address any impacts in the compensation plan.

Ms. Nowlan moved on to the expenditure limit reporting and noted that it was a statutory requirement that the County pass a budget that does not exceed the expenditure limit.

She moved on to the penalties and noted that a County can ask for approval to exceed the expenditure limit prior to an audit, but if the County does not get approval and exceeds the expenditure limit the Auditor General will hold a hearing and the County's next fiscal year budget will be impacted.

Chairman Searle asked if a \$10,000,000 buffer would be appropriate.

Ms. Nowlan said it would be. She said that the best plan was to use all allowable expenses and ensure that all departments with capital projects had capital improvement plans in order to include expenses on an annual basis instead of having to address emergencies.

She added that one-time adjustments, one-time overrides, and permanent adjustments are all good options, but require timelines and voter approval. She provided projections on what an impact of a permanent adjustment would have to the budget.

Mr. Vlahovich said that staff continued to conservatively manage the budget.

Mr. Hanson asked why loans had been taken out in the past as a precaution for the expenditure limit.

Mr. Vlahovich said that the ramifications of exceeding the expenditure limit had not been made clear in the past. He thanked Ms. Nowlan for the research she had done in order to better explain the expenditure limit.

Vice-Chairman Call said that in the future taking out loans would not be the go to decision now that the Board better understood the expenditure limit guidelines.

Chairman Searle adjourned the meeting at 11:49 a.m.

APPROVED:

Richard R. Searle, Chairman

ATTEST:

Arlethe G. Rios, Clerk of the Board