

**PROCEEDINGS OF THE COCHISE COUNTY BOARD OF SUPERVISORS
SPECIAL MEETING HELD ON
Tuesday, June 19, 2017**

A special meeting of the Cochise County Board of Supervisors was held on Tuesday, June 19, 2017 at 10:00 a.m. in the Board of Supervisors' Executive Conference Room, 1415 Melody Lane, Building G, Bisbee, Arizona.

Present: Ann English, Chairman; Patrick G. Call, Vice-Chairman; Peggy Judd, Member

Staff Present: Edward T. Gilligan, County Administrator
Lynette Nowlan, Finance Director
Nike Noack, Budget Manager, Finance Department
Arlethe G. Rios, Clerk of the Board

Attendees: Mark Dannels, County Sheriff
Mary Ellen Dunlap, Clerk of the Superior Court
David W. Stevens, County Recorder
Bruce Staggs, Justice of the Peace, Benson
Karen Riggs, Highway & Floodplain Director, Community Development
Thad Smith, Chief Deputy, County Sheriff's Office
Fran Ranacelli, Chief Deputy, Clerk of the Superior Court's Office
Sam Farris, Operations Commander, County Sheriff's Office
Ken Foster, Lieutenant, County Sheriff's Office
Lisa Marra, Communication & Community Relations Administrator
Ileana Garcia, Business Manager, Clerk of the Superior Court's Office
Curtis Wilkins, Sheriff's Office
Sue Mitchell, Chair, Cochise County Republican Party
Eric Petermann, Reporter, Sierra Vista Herald
Cheyenne MacMasters, citizen
Peter DeRosa, Sheriff Assist Team
Andrew Abernathy, citizen
John Jones, Sheriff Assist Team
Jim Behnke, Sheriff Assist Team
Tom Crosby, citizen
Joann Kiyabu, citizen
Michele Roberts, citizen
David Cook, Sheriff Assist Team
Lois Bravo, citizen
Alan Wheeler, Sheriff Assist Team

Chairman English called the meeting to order at 10:09 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 2017-2018 in the amount of \$187,758,003 (this amount is composed of \$80,085,677 in General Fund and \$107,672,326 in Special Revenue funds) and approve the Funding Requests as set forth in attached exhibit.

Supervisor Judd moved to adopt the Tentative County Budget for fiscal year 2017-2018 in the amount of \$187,758,003 (this amount is composed of \$80,085,677 in General Fund and \$107,672,326 in Special Revenue funds) and approve the Funding Requests as set forth in attached exhibit. Vice-Chairman Call seconded the motion.

Mr. Gilligan presented this item using a PowerPoint presentation. He began by going over the statute that governs the County budget procedure and statement, ARS 42-17101. He showed a graphic on the general fund and special revenue fund for the current fiscal year. He discussed the revenues, expenditures, and cash balance and noted that staff planned to utilize \$2,889,992 out of the cash balance to help pay for expenditures. He stated that the expenses for the current fiscal year included an approximate \$1,000,000 refund payment to employees who were member of the Elected Official Retirement Program (EORP) and Public Safety Personnel Retirement System (PSPRS) as a result of the Hall Case. He added that expenses, such as loans, were excluded from the expenditure limit and the County currently did not have these types of expenses, therefore all projected expenses for the next fiscal year would count towards the expenditure limit.

Vice-Chairman Call asked about the interest involved with the refund regarding the Hall Case.

Mr. Gilligan said that it could be an additional \$200,000 depending on what the retirement systems decided on.

Chairman English stated that all revenue coming in counts toward the expenditure limit.

Mr. Gilligan showed a brief history of the County's Cash Balance and noted that only \$7,458,25 was available and not previously designated for a specific purpose. He added that the General Fund revenues had been steadily decreasing.

He moved on to the tentative budget summary for the next fiscal year and noted that overall there was a .34% increase due to an increase in special revenue funds, which included the Housing Department budget.

He showed a pie chart of the General Fund revenue and noted that the most revenue comes from property taxes. He moved on to present a slide on revenue variances: Recommended property tax rate adjustment to the Truth and Taxation (TNT) rate: \$514,866 increase; Reduction in Cash Carry Forward: \$2,526,992 decrease; Vehicle License Tax (VLT):

\$100,000 increase; Payment In Lieu of Taxes (PILT) \$83,614 increase; Highway User Revenue Fund (HURF): \$500,000 increase; Forest Fees Revenue: \$303,685 decrease; and 1/2 cent sales tax: \$300,000 decrease.

He noted that a decrease in local 1/2 cent sales tax was consistent with the last several years. He added that the salary costs being paid out of 1/2 cent sales tax added up to \$2,436,558 which includes 18 deputy/detention officer positions for the Sheriff's Office. He stated that using this money for salaries negatively impacted funding for infrastructure. He said the County needed to start shifting all salary costs to the general fund.

Mr. Gilligan showed a slide on the property tax history and discussed various scenarios for 2018. He stated that an increase of .0471 would increase property tax revenues by \$514,866, which could be used to cover rising retirement system costs, specifically the PSPRS system, which is the most expensive. He also stated that if the Board approved increasing the rate by .0471 tax payers would see an increase of \$4.71 for every \$100,000 of their assessed property value.

He moved on to General Fund expenses and said that half the total expenses were shared between the Sheriff's Office, Judicial Branch, and the County Attorney's Office.

He then outlined Expense Variances: Southeast Arizona Communications Center (SEACOM) operations - \$390,539; Economic Development - \$1,110,000 increase [Bisbee-Douglas International (BDI) Airport/Commercial Port of Entry/Environmental Impact Funding]; Inclusion of the Housing Department budget - \$447,605 increase; Arizona Health Care Cost Containment System (AHCCCS) - \$251,700 increase; Retirement Systems Costs - \$287,682 increase.

He stated that the County was \$10,000,000 over projected revenues with the currently planned expenditures; however, every year the County amasses savings because not everything budgeted is spent.

He showed a pie chart of the breakdown for compensation by department and then a slide with the dollar amount each department would be receiving next fiscal year:

- Board of Supervisors \$20,592.76
- Department Directors \$61,487.18
- Schools \$10,684.55
- Information Technology \$209,956
- Finance \$26,819.98
- Procurement \$7,479.62
- Constable \$3,203.67
- Facilities \$49,584.08
- Planning and Zoning \$43,652.48
- Indigent Defense \$1,760.10
- Legal Defender \$32,258.52
- Public Defender \$53,348.45
- Sheriff \$400,000 (GF- \$195,963/Fleet Savings- \$204,037)
- Attorney \$79,998.57
- Elections \$4,105.35
- Human Resources \$11,823.75
- Recorder \$11,235.95
- Assessor \$59,489.44
- Treasurer \$28,013.13
- Health \$75,416.87
- Aging and Social Services \$13,126.66

- Courts \$366,409

He noted that the total allocation would be \$1,570,466: General Fund - \$1,366,409 and Fleet Savings - \$204,037. He added that the distribution was calculated using a formula comprised of employees per department. He added that previously there were four pay plans, but the Courts had recently agreed to use the County's compensation structure, which meant that the only other pay plans were for Deputies and Detention Officers.

Chairman English noted that each Elected Official and Department Director would decide how to distribute the money within their department.

Mr. Gilligan showed a slide detailing the recommended funding requests, which totaled \$1,514,028.73: General Fund - 97,600; 1/2 Cent Sales Tax - \$738,169.10; Highway User Revenue Fund (HURF) - \$571,000; and Court Enhancement Funds - \$107,259.63.

Chairman English asked about the temporary positions at the Clerk of the Court's Office.

Mr. Gilligan said that staff expected this to last six months.

Mr. Gilligan moved on to the summary and said he strongly recommended improving revenue by adjusting the property tax rate. He said that with the recommended rate the revenue would increase annually by an estimated \$500,000. He added that a jail tax district would also be for the County in order to prepare for future costs in the jail, like remodeling and upgrading security. He clarified that approving the budget did not restrict internal fund lines, but meant that the total could not be increased.

Supervisor Judd asked if the overtime costs that she thought would be accrued by staff at the Benson Justice Court would equal the cost of adding another staff member.

Mr. Gilligan said that with the compensation funding, elected officials/department directors would be able to use funding to compensate current staff; reclassify current staff; or hire additional staff.

Supervisor Judd asked if the fleet reimbursement would impact every department.

Mr. Gilligan said that all departments that have vehicles would be receiving the reimbursement and noted that since the Sheriff's Office has the most vehicles, they would be seeing the largest reimbursement. He went on to explain that the compensation distribution was based on an equitable formula that would address market value and performance.

Supervisor Judd stated that she had been told by several citizens that they would be happy to pay more to ensure that deputy salaries were addressed.

Chairman English said that Sheriff Dannels would be the one to decide how the \$400,000 was used for employees in his office.

Vice-Chairman Call asked if the tax rate increase was approved, would Mr. Gilligan be using the additional revenue to address retirement costs.

Mr. Gilligan said that the additional revenue would go to retirement costs and also for the jail medical position.

Chairman English said that it could also be used for the interest payment to EORP and PSPRS, as those were unforeseen costs.

Vice-Chairman Call asked Mr. Gilligan if he had an alternative plan to address cost increases if an increase in the property tax rate was not approved.

Mr. Gilligan said that he would have to evaluate services and then make recommendations to the Board of which services would no longer be provided. He added that one idea was to look at a year where no vehicles were replaced and use that money toward general fund expenditures.

Vice-Chairman Call said that he would like Mr. Gilligan to come up with a list of services that could be cut to address decreasing revenues. He also asked if Mr. Leiendecker, County Assessor, had predictions about property assessments.

Mr. Gilligan said he would work on a list of services that could be cut or reduced. He added that Mr. Leiendecker had reported very slight gains and only \$85,000 total increase in revenue from the property tax rate for next fiscal year. He stated that property values continued to decline in some parts of the County and property values have not stabilized. He predicted that revenues would stay the same until there is a shift in economic development.

Chairman English noted that with the upcoming census the funding received would also decrease due to the decrease in the County's population since 2010. She added that the sensible thing to do was increase the tax rate a little at a time to address decreasing property values.

Mr. Gilligan stated that staff is always looking for ways to streamline processes and cut back, but in order to provide the same level of service additional revenue is needed.

Chairman English clarified that by raising the tax rate the County is only trying to get the same amount of money as previous years and noted that the County could not continue to grow and expand services if it is getting less money. She added that if we could not increase revenues then the Board would have to make a decision on which services to cut.

Supervisor Judd said that she was in support of raising the tax rate and has a lot of support from her community to do this. She added that she was also in favor of decreasing the tax rate if the economy improved.

Vice-Chairman asked if the Board was voting on the tax rate today.

Mr. Gilligan clarified that the Board's vote was to adopt the tentative budget, not a tax rate. He noted that once the budget was adopted it could not be increased, but this did not restrict changes in fund lines within the budget.

Vice-Chairman Call congratulated staff on their hard work preparing the budget, as well as the work on the compensation plan and the changes to the health plan.

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

Chairman English adjourned the meeting at 11:15 a.m.

APPROVED:

Ann English, Chairman

ATTEST:

Arlthe G. Rios, Clerk of the Board