

**PROCEEDINGS OF THE COCHISE COUNTY BOARD OF SUPERVISORS
WORK SESSION HELD ON
Thursday, June 1, 2017**

A work session of the Cochise County Board of Supervisors was held on Thursday, June 1, 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
Britt W. Hanson, Chief Civil Deputy County Attorney
Lynette Nowlan, Finance Director
Arlethe G. Rios, Clerk of the Board

Attendees: Mark Dannels, County Sheriff
Thad Smith, Chief Deputy, Sheriff's Office
Nike Noack, Budget Manager, Finance Department
Sam Farris, Operations Commander, Sheriff's Office
Sean Gijanto, Sheriff's Office
Ken Foster, Sheriff's Office
Curtis Wilkins, Sheriff's Office
Jim Behnke, Sheriff's Office
Ashley Peterson, Sheriff's Office
Joe Gilbert, Sheriff's Office
Kierstin Kessler, Sheriff's Office
Tod Linendoll, Sheriff's Office
Allison Hadfield, Sheriff's Office
John Jones, Sheriff's Office
Benjamin Berry, Sheriff's Office
Brando Reibschied, Sheriff's Office
Randy Wilson, Sheriff's Office
Tricia Smalley, Sheriff's Office
Eric Petermann, Sierra Vista Herald
Jeri Ligon, citizen
Bruce Prepho, citizen
Tanya Rathmann, citizen
Alvira Gates, citizen
Cheyenne MacMasters, citizen
Joseph Mitchell, citizen

Chairman English called the meeting to order at 10:00 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. Budget Work Session - Discussion of County budget for Fiscal Year 2017-2018.

Chairman English stated that because this was a work session and not a regular meeting the purpose was for the Board to be briefed on the entire budget and this meeting was not open for public discussion.

Mr. Gilligan stated that he would brief the Board on the entire budget and review funding requests, as well as go over revenues and cost drivers.

He went over the accomplishments for Fiscal year 2016/2017:

- Implemented new compensation plan
- Completed microwave system, paid loan in full
- Rehabilitated and improved Bisbee Douglas International (BDI) water system
- Established South East Arizona Communication Center (SEACOM)
- Improved solid waste system
- Renovated multiple facilities
- Sold Douglas hospital building \$250,000 net
- Saved \$186,300 in director-level salaries

He explained that the first phase of the new compensation structure had occurred in October of 2016 and said that the microwave project had cost an additional \$2,000,000 than originally expected. He added that the only debt the County has is the unfunded liabilities associated with employee retirement plans. He gave an update on SEACOM and said a final agreement should be completed by August. He said that the Facilities Department had been working hard on projects necessary to be in compliance with insurance regulations. He added that there had also been major savings in director level salaries and the new organization chart, which grouped departments together, had been a big part of these savings.

He moved on to the second slide and said that the major cost drivers were salary, health care, and retirement. On the third slide he went over personnel data and noted that the largest workforce size was 1,123 during the 2008/2009 Fiscal Year and that current work force was at 927 employees.

Vice-Chairman Call asked for the most current number of employees.

Mr. Gilligan said that he would get the Board that number.

He moved on to health benefits and he said that the current plans were a good balance and including a Health Savings Account (HSA) would ensure that employees were more proactive about their health related decisions.

Chairman English asked how the HSA worked and how employees would access these funds.

Mr. Gilligan said that the HSA was run by a financial institution in Utah and employees would access HSA funds the same as their normal bank account. He continued with an overview of retirement contributions and current costs to the general fund and noted that the Public Safety Personnel Retirement System (PSPRS) had the most impact on the general fund and staff would work on a strategy to address this issue.

He moved on to cash balance and said that over the last three years the total cash balance had decreased by \$3,000,000. He stated that staff was starting to spend down the savings, but in order to maintain operations between tax seasons the County had to retain \$20,000,000. He explained that once funding for operations was taken out, there was \$7,000,000 available to spend. He clarified that those funds should not be used for recurring costs.

Mr. Gilligan discussed revenue projections and noted that this had been the first fiscal year where the net assessed value had increased by a total of \$77,783.

Chairman English said that she thought the actual cash balance was deceptive as there were some general fund costs coming from 1/2 cent sales tax, which should be used for roads and one time expenses, not salaries.

Mr. Gilligan continued with revenue projections and noted losses in 1/2 cent sales tax and State shared sales tax. He noted that some revenues were increasing, but only slightly.

He showed a slide on the property tax history and noted that the highest rate was set in 1993 and that since 2011 the County had seen declining actual revenues from property taxes.

Vice-Chairman Call asked what the County Assessor was predicting for future years.

Mr. Gilligan said that Mr. Leiendecker said things were not increasing due to a loss in population and lack of new building projects. He explained that in order to sustain current service levels he asked that the Board consider a tax increase. He showed three different scenarios for 2018 if there was no increase, the truth and taxation rate, or the levy equal to the one in 2011. He showed that for every \$100,000 for the truth and taxation rate the average owner would only see an increase of \$4.71.

Mr. Gilligan said that he was not recommending an increase for the Library District or the Flood Control District. He explained that the same rate would increase the levy by \$4,685 for the Library District; but the Flood Control District would be decreasing its levy by \$3,313.

He moved on to the 1/2 cent monies and where those funds were being allocated. He explained that many personnel positions were being funded by these monies and not by the general fund like they should be.

He continued with the presentation and discussed the 26 funding requests made, which equalled to \$3,491,888 and he was only recommending \$1,356,462 be spent for some of the funding requests. He noted that the Board would not vote on these today, but instead the final vote would be made when the tentative budget was approved in June.

He stated that no court positions would be funded until the courts reorganized current staff

and planned for the best way to address salary concerns.

Chairman English asked Mr. Gilligan if he had come up with a plan to address the Sheriff Office staff compensation.

Mr. Gilligan said that he was still working on an overarching plan for the entire County, but estimated the Sheriff's Office would receive about \$300,000 to \$350,000.

Chairman English noted that although the Sheriff compensation plan was not being funded at the level they had requested, they were still receiving funding and it would be up to Sheriff Dannels on how the money would be spent.

Mr. Gilligan said that the planning would also be phased in and that the ultimate goal was to get all positions to market value.

Supervisor Judd asked if there could be any adjustments made to increase the current compensation allocation.

Mr. Gilligan explained that under the current financial situation the only way to adjust would be to take from one department to give to another. He added that he could not prioritize one group over another and he would be looking at market data in order to budget and ensure that everyone was treated equally.

He moved on to strategic priority funding and explained how he planned on funding the compensation plan. He stated that this would include funding for training and development as well as investing in a payroll processing software.

He continued with strategic priority funding by focusing on economic development as the Board had requested. He explained that there would be funding for a commercial port of entry, BDI hangar renovations, environmental projects, tourism, and road infrastructure.

He added that another major funding priority was SEACOM. He said that there was plenty to be done, but staff was keeping up with all tasks.

Chairman English asked if the funding for this project would be placed in the Sheriff's Office budget.

Mr. Gilligan said that this project would be funded through a separate fund line as it was to be its own entity.

He discussed opportunities in the next slide and said there were opportunities to address retirement costs as well as look into special districts to fund specific issues like the Jail and Roads. He explained that paying back the overpayment into the Public Safety and Elected Official retirement systems would have to come out of the \$7,000,000 of cash balance.

Chairman English asked if the interest related to this payment would be paid from next fiscal year's budget.

Ms. Nowlan said that it would be and explained that the total for both the overpayment and the interest would not be more than \$2,000,000.

Mr. Gilligan listed other challenges:

- Refund due to EORP and PSPRS members as a result of Hall case
- Continued decrease in ½ cent revenue
- The growth in other GF revenue does not cover the increase in expense

- Anticipated increases in all retirement systems
- Rising healthcare costs
- State cost shifts
- Minimum wage and other impacts of Prop 206

He moved on to the summary and general recommendations, which included taking steps to increase the revenue with taxes, economic development, and moving towards a jail district proposition. He recommended staying the course on incrementally implementing a comprehensive market-based, performance-driven compensation plan.

The Board thanked Mr. Gilligan for his work on the budget preparation, as well as other financial staff.

Mr. Gilligan noted that the next meeting would occur on June 19 for the approval of the tentative budget.

Chairman English adjourned the meeting at 11:36 a.m.

APPROVED:

Ann English, Chairman

ATTEST:

Arlethe G. Rios, Clerk of the Board