

**PROCEEDINGS OF THE COCHISE COUNTY BOARD OF SUPERVISORS
WORK SESSION HELD ON
MONDAY, APRIL 7, 2025**

A work session of the Cochise County Board of Supervisors was held on Monday, April 7, 2025, at 10:00 a.m. in the Board of Supervisors' Hearing Room, 1415 Melody Lane, Building G, Bisbee, Arizona.

Present: Frank Antenori, Chairman; Tom Crosby, Vice-Chairman; Kathleen L. Gomez, Supervisor

Staff Present: Sharon Gilman, Interim County Administrator
Joe Casey, Interim Deputy County Administrator
Paul Correa, Chief Civil Deputy County Attorney, telephonic
Lara Loewenheim, Clerk of the Board

Attendees: Stacy Fenhaus, Budget Manager

Chairman Antenori called the meeting to order at 10:00 a.m.

ANY ITEM ON THIS AGENDA IS OPEN FOR DISCUSSION

ITEMS FOR DISCUSSION

Board of Supervisors

1. Budget Work Session - Discussion of County budget for Fiscal Year 2025-2026, specifically: Early Projections for Revenues, Expenses, and Expenditure Limits.

Ms. Gilman presented this item using a PowerPoint presentation. Ms. Gilman presented preliminary budget information and noted updates from state and federal sources that could impact revenues, expenses, and the expenditure limit. She provided a timeline for April work sessions, leading to tentative budget adoption in mid-May, final adoption in July, and property tax rate setting as required by law.

The Board and staff discussed the timing and process for adopting the property tax rate, which typically occurs in a special meeting in August. The Board raised concerns about the impact of federal and state funding cuts, inflation, and how those pressures should not automatically result in tax increases. Vice-Chairman Crosby suggested adopting a tax rate early, and proposed a return to the 2021 rate of 2.6747 to help departments plan. Chairman Antenori noted that allowing departments to make cuts on their own, can lead to strategic reductions that cause unnecessary disruptions. Chairman Antenori noted that positions funded by grants may be eliminated if the grants expire, rather than shifting those costs to the general fund. Chairman Antenori stated that options like a hiring freeze or cutting unfilled positions or additional layoffs could occur based on budget priorities.

Ms. Gilman explained Arizona's Aggregate Expenditure Limit (AEL), a constitutional restriction on how much local governments can spend each fiscal year. She stated the Economic Estimates Commission calculates this using factors like population and the Gross Domestic Product (GDP) implicit price deflator. She noted the county's estimated population increased, likely due to individuals crossing the border and attending school locally. She stated as a result, the expenditure limit rose to \$83.9 million. Ms. Gilman

clarified that the expenditure limit applies only to local revenues, such as sales and property taxes, while expenses covered by state or federal grants and debt service taxes are excluded.

Ms. Gilman stated most departments are currently projected to come in just under budget for the year. She stated the expenses appear to be tracking as expected across the board. She noted the Elections Department is anticipated to go over budget, primarily due to overtime costs related to the election. The Board discussed upcoming cost increases for Elections, including purchasing two new machines and staffing. The Board discussed plans to prepare for the 2026 election, with added costs expected for election officer training and potential changes in voting procedures.

Ms. Fenhaus noted that for fiscal year 26, an increase in employer health contribution rates is already expected. She stated more accurate figures will be available after open enrollment concludes, and the final rates will depend on the health plan selections made by employees.

In response to the Board, Ms. Gilman stated a pending Southeastern Arizona Communications Center (SEACOM) agreement with the City of Sierra Vista has been discussed but has yet to be presented to the Board. She stated that if the agreement is approved, the County could see a significant cost increase.

Ms. Fenhaus shared that the total funding requests from all departments for fiscal year 26 would lead to a \$2.27 million increase to the General Fund. She stated SEACOM's projected budget includes a \$135,000 increase, primarily due to higher expenses for county employees and general costs, which are split between the county and the City of Sierra Vista. Ms. Fenhaus mentioned an increase in the mosquito monitoring contract for health services due to a pre-negotiated five-year plan with ARBO Viral, the company responsible for monitoring West Nile virus through mosquito sampling. Ms. Fenhaus highlighted that the state shift costs are rising by \$3.4 million, with the assessed amount increasing more significantly by \$6.5 million. She stated the fluctuation is primarily due to aging long-term care contracts.

Ms. Fenhaus mentioned the county's PSPRS (Public Safety Personnel Retirement System) unfunded liability and the fact that it's a moving target, although the county is making extra payments, this liability continues to change. Ms. Gilman stated some counties have issued bonds to address their PSPRS liabilities, which is why they show 90-100% funding, but this comes at the cost of trading one type of debt for another. Any changes in the county's funding situation have been driven by additional payments rather than planned performance.

Ms. Fenhaus shared early numbers for a potential cost of living adjustment (COLA) for general fund employees. She stated a 1% COLA would cost approximately \$285,000, while a 2% COLA would be about \$570,000, based on salaries and wages alone, not including health benefits. She stated the county's compensation is currently around 97% of the fiscal year 2025 market figures, but the final market compensation study is expected by mid-May. She noted if the county chooses a market compensation plan at 95-96% of the market, the cost would range from \$183,000 to \$700,000, though adjustments for inflation may result in a negative value for certain scenarios.

The Board and staff discussed the impact of reduced border crossings on local services, suggesting that with fewer border-related issues, there could be a decrease in demand for resources like healthcare and law enforcement. Chairman Antenori stated with fewer border-related incidents, there was an expectation that local resources might be less strained and this could result in potential savings for the county. Ms. Gilman noted that

the decrease in border-related issues might coincide with an increase in other local challenges, like mental health, which could balance out any savings.

Ms. Fenhaus updated the Board on the state's general fund balance, which is currently projected at \$935 million. She mentioned that the state is considering a new approach to allocating these excess funds, moving away from individual senator allocations to a more pooled approach within the caucus. Ms. Fenhaus discussed the challenge of allocating the state's funds; the state still has \$1.6 billion in its rainy day fund.

The Board and staff discussed the potential budget impact of dissolving the jail district. Ms. Fenhaus stated the jail district's budget request for the year totals \$8.1 million, with \$1.4 million above the maintenance of effort (MOE). Ms. Fenhaus stated if the jail district were dissolved, these costs would be absorbed by the general fund, potentially increasing the sheriff's budget. She noted the dissolution would eliminate the jail tax but would also remove some tax deductions currently available under the special district.

Ms. Fenhaus discussed the revenue blend for the general fund, and highlighted that property taxes make up 45% of expected income, the sales tax contributes 39%, while miscellaneous revenues, including fees and fines, account for the remaining 16%.

Ms. Fenhaus and Ms. Gilman discussed the county's slow-growing revenue system, noting that Cochise County's revenue growth rate is 37%, compared to an average of 47% for similar counties. Ms. Fenhaus noted the county's revenues follow an upward trend, and they grow at a slower pace statewide, primarily due to a stagnant population and inflation adjustments.

The Board and staff discussed Cochise County's reliance on sales tax, particularly retail, which plays a significant role in their revenue system. The Board discussed the taxation of restaurants, bars, and transient lodging, which is taxed at a higher rate than general retail. Supervisor Gomez talked about how cities like Douglas have specific taxes, such as a bed tax, and how the county receives a portion of that. Chairman Antenori touched on the League of Cities' approach to taxing, where the default is to charge all taxes, with local boards deciding which taxes to remove.

The Board discussed Cochise County's property valuations for fiscal year 26, which have totaled \$1.16 billion, with a slight increase in new construction (2.3%) and property improvements (2%). The Board examined the potential impact of reducing tax rates, which would result in a smaller loss in revenue than expected—around \$622,000 this year, which could grow over time. The Board focused on the need to expand the tax base and grow the economy, with discussions on encouraging businesses like data centers, aluminum recycling, and cattle processing facilities. Vice-Chairman Crosby proposed zeroing out the collection rate for the flood control district to reduce property taxes. He pointed out that the district currently has \$9 million in reserve, which could be used to cover expenses, allowing for no further tax collection.

The Board discussed the possibility of using the flood control district's \$9 million reserve for recharge projects rather than concrete-lining washes. The Board emphasized the importance of improving roads to attract people and avoid issues like flat tires from poor road conditions. The Board agreed that exploring ways to combine flood control with recharge efforts could address multiple needs.

Ms. Fenhaus discussed state-shared sales tax, which is performing as expected, with \$16 million set as the budget and 84% collected so far. Projections indicate the total could reach \$20 million by the end of the year. The Board discussed the halting of the jail sales tax once a judge rules on the legal case, with some concerns about timing and the

potential impact on ongoing legal proceedings.

Chairman Antenori adjourned the meeting at 10:59 a.m.

APPROVED:

Frank Antenori, Chairman

ATTEST:

Lara Loewenheim, Clerk of the Board