

Minutes of the Special Meeting of the Mayor and Council of the City of South Tucson, Arizona, held Wednesday, May 25, 2016, at 6:00 p.m. at the City of South Tucson Council Chambers, 1601 South 6th Avenue, South Tucson, Arizona.

Council Present: Miguel Rojas
Idelfonso Green
Robert Larribas
Vanessa Mendoza

Staff Present: Veronica Moreno, Interim City Manager
Lourdes Aguirre, Finance Director
Mark Raven, City Attorney
Marilyn Chico, Housing Director
Joel Gastelum, Planning & Zoning Director
Lorenzo Gonzalez, Planner
Michael Ford, Police Chief
Cory Lakosky, Fire Department

Mayor Rojas called the meeting to order at 6:04 p.m., and led the Pledge of Allegiance.

ITEM #04 – ROLL CALL – All members of the Council were present, except for Vice-Mayor Patino, Councilwoman Romero, and Councilman Lopez, who were excused.

ITEM #05 – CALL TO THE AUDIENCE – No response from the audience.

ITEM #06 – APPROVAL OF MINUTES: NONE AVAILABLE

ITEM #07 – FISCAL YEAR 2016/2017 PRELIMINARY BUDGET – DISCUSSION AND DIRECTION

Ms. Moreno: Thank you, Mayor, members of the Council, and thank you for coming on an off day here, on a Wednesday. We tried to meet this past Monday, however, there was some information that we wanted to obtain for you, which pushed us to have the Special Meeting this evening. And it's really important that we meet today. There's a lot of information that we would like to share with the Council regarding fiscal year 2016-17 budget. We have some really strict timelines that we have to go with in order to balance the budget. As you know, we have met with the Council, this will be the third time, on recommendations that staff has in order to plug that gap which we currently have of \$357,931 deficit going into fiscal year '16-'17. So some of the options that we provided you with were increases on sales tax, increases on occupational taxes, and most specifically, the concern that we need direction from this evening is regarding the occupational tax. That revenue-generating option will bring in an approximate \$33,000 to next year's budget. And in order for us to implement it, we need to have it posted by next week, which will be June 1st. So we absolutely are requesting that Mayor and Council consider the recommendation. Otherwise, we will have to make drastic cuts in that amount.

Mayor Rojas: And that's for which one? Occupational license?

Ms. Moreno: That's for the occupational license and the action that we're recommending is number 7.

Mayor Rojas: Option 7.

Ms. Moreno: Option 7.

Mayor Rojas: Thank you very much. We discussed this last week, last time we met, right?

Ms. Moreno: Right, we did. And the reason why we're meeting once more is I know Councilman Green had a question on the household income. And we have researched some of those numbers and we have some information for you today, as well as Councilman Larribas who asked some questions about the occupational license. So we've put some information in your Council packets with a breakdown, comparable with other cities and towns. Lourdes will go over that with you. Additionally, we provided you with the City of South Tucson business license section as it pertains to occupational licenses. So you'll see that I pulled out the City Code and it gives you a definition of each business activity and the rate that is being charged. And if you look at the very last page, it will show you when those fees were adopted, which was back on July 21st of 1980. So that was part of the rationale behind what we are recommending as far as increasing that revenue stream. And looking at comparables with other cities and towns, I know that Lourdes did explain to the Council at last month's meeting that mostly smaller jurisdictions will charge this fee rather than those that are larger because they have other revenue-generating areas that we don't have. So some of the comparables she can go over with you now, so that we can get some of the information to you so you can give us some direction on how to move forward. But this is really critical to the balancing of the budget. Without getting this implemented in the timeline that we have, will result in cuts in other areas.

Mayor Rojas: Any questions from the Council, please.

Councilman Larribas: Mr. Mayor, I have a question. Because we're doing this budget right now, and we've been able to get by, why has it taken so long to do this? I mean if we got it like real quick, like two weeks ago, and we've been, I guess we've been operating with this for the longest time, why, why is that?

Ms. Moreno: This is, to answer your question, Councilman Larribas, this is so that we can balance the budget moving into next year. So these are the cost-saving measures that we need to implement so we can balance the budget moving into next year. Because the budget that was balanced for this fiscal year that we're in did not come in in the projected revenues that were adopted. So because of that, it resulted in a deficit that we're trying to plug. So in order to be able to plug that \$350,000 deficit, we need to implement some either cost-saving measures, which we've discussed, and/or these revenue-generating options.

Mayor Rojas: But I think, that's, I don't think that's his question but do you have any other comments?

Councilman Green: Yeah, I do. The, I think the question that he's asking is ...

Mayor Rojas: Since 1980 to now ...

Councilwoman Mendoza: Why did it take so long for the City to ...

Ms. Moreno: Oh, I'm ...

Councilwoman Mendoza: ... (inaudible).

Ms. Moreno: ... sorry. I misunderstood your question, Councilman.

Mayor Rojas: I could probably have that answer for you, but I don't know if you want to do that answer.

Ms. Moreno: You can, you can have at it, Mayor.

Mayor Rojas: Okay. I'll go ahead and answer for, historically, because I've been here probably as long as Councilman Green or a little bit longer. What happened before is that the Council was always afraid to do anything that was going to supposedly ruffle the feathers of so-called the business people or the folks out there in the community. And so they never did. And my concern was, as a matter of fact, I was one of the, I don't know if I was one of the first council people that used to, that brought to the attention of the City Manager, hey, some of these fees are way too low and we're not going to survive trying to provide the services that we're providing with these low fees. So that's when I mentioned the fee with the, as a matter of fact, with the rental housing and the business permit for that. I thought what I was paying \$12 was kind of, it was nice for me, but it was ridiculous, it wouldn't raise no money for the City. And since 1980, some people had the mentality that, you know, that it was nice to have real low or no payment to do business. And that's not the way to run a business. So I'm one of the first that said, you know, we need to do something different.

Ms. Moreno: And if I may, Mayor, I'd like to basically comment on what you just said. And with that logic, basically, is what leads us to where we're at now. I mean at one point, the City of South Tucson, which I'm sure a lot of you guys lived here at that time where we provided the, picking up, you know, trash and, you know, the City of South Tucson never charged any residents for any of those fees. They did charge a commercial, yet it still wasn't enough that we received from the commercial to pay for the service. So, over the course of the years, you know, the trucks got used to the point to where we wouldn't have been able to provide the service, or we, at that time, were able to get a grant from the Pascua Yaqui, the TO, they gave us new trucks. So we continued to provide the service for the commercial, the residents, but once those trucks were aged, we couldn't buy new trucks. So then that resulted in where we are at now which, you know, having the City of Tucson pick up. But that just further proves that the City of South Tucson cannot provide services at any cost; Police, Fire, Public Works, Administration, just operating the City overall, it costs the City money to operate. So you need to operate the City so you have to find ways to make money just to provide standard services just to sustain the City at the level that we're at. Status quo, we need to look at areas to bring in revenue. And the Mayor is right, you know, they didn't want to ruffle the feathers so what they did, their options were, well, you know, let's look at where we can, you know, save some money. So then they would, you know, cut salaries and, you know, not fill positions and things like

that. So that's a last resort that we're trying to affect at this point. So that's why we're looking at these options ahead of anything else.

Mayor Rojas: Any other questions, comments?

Councilwoman Mendoza: Can I, Mr. Mayor, can I see the sheet that we had last time with the options on it? Do you guys have that? So I can make sure that I'm in Option 7 and remembering correctly.

Ms. Aguirre: I'll hand these out to you. Options 3 and 4 on the sales tax. Do you all need the Option 7 on the occupational?

Mayor Rojas: No, I remember. No, I have extras. I read it.

Ms. Aguirre: Okay.

Mayor Rojas: Memorized it practically.

Ms. Moreno: So, I think just to go over some of the information you have in your packet, Lourdes will go over those items where we researched some of the comparables with other cities and towns throughout the State of Arizona.

Mayor Rojas: I have just one other question, if I may. When we're looking at some of this, man, some of the things that some of these other cities were charging for their fees and what have you, and we publish, are we going to have to publicize the list of some of these items that we will be raising the fees for? Or just, just publicize the fact that we're raising the fee?

Ms. Moreno: Part of the posting requirement would be the language that, if I may, I'll refer (inaudible) but just real quick, is where they amend that section of the code.

Mayor Rojas: Okay.

Ms. Moreno: And then they edit it and then they line out the old rate with the new rate.

Mayor Rojas: And the new rate. Is that correct? Okay.

Ms. Moreno: Am I correct (inaudible)?

Unknown: Yes, yes.

Mayor Rojas: That's good. I just wanted to make sure. Thank you. Any other questions?

Councilman Green: Well, no, the question that I had was, okay, I understand that we're having this problem this year. We're in last year's budget. We performed that. Lourdes, you were integral in that part and I think we've had, what, two years that we've had, you know, between Gonzalez and Benny and everybody else, why did this just come up now? How did we find this out now? I mean I'm not talking about 35 years ago. I'm not talking about 30 years ago. I'm not, because you weren't

here. But I'm talking, as your term as the Finance Director, how did this come up or how was this not brought up three years ago? We were never in a position where we had an excess of (inaudible).

Ms. Aguirre: Okay. Mayor and Councilman Green, to answer that question, you may recall back when Manager Luis Gonzalez was here, you guys went through a process of actually increasing sales tax revenues.

Councilman Green: Right.

Ms. Aguirre: To plug a deficit. And that was actually to plug the deficit cost by the elimination of the secondary property tax.

Councilman Green: Correct.

Ms. Aguirre: The secondary property tax had been imposed to help, you know, ...

Councilman Green: Okay. Yeah, ...

Ms. Aguirre: ... (inaudible) ...

Councilman Green: ... offset the funding or the ...

Ms. Aguirre: ... so the ...

Councilman Green: ... (inaudible) ...

Ms. Aguirre: ... fact is the money was never there, really, through sales tax or any of our other line items. That's why secondary property tax was imposed. We did away with it. So the sales tax rates had to go up. And that was done towards the end, implemented towards the end of 2014. Okay? December. So give it December, January, February, we began discussions on the budget for 2016 in March. So in reality, we only had three months worth of data to determine where our levels of revenue for the sales tax were going to come in for the entire year of 2016. With that in consideration, the call was made to maintain them at whatever levels we saw coming in at that point. We didn't have 12 months, we only had 3 months to determine that. And with all due respect to the previous City Manager, my recommendation was actually to continue with a lean year this year. But this ...

Councilman Green: Which you mean?

Ms. Aguirre: A lean year this year, meaning not increasing revenues above what we already knew was modest coming in, and maintaining our staffing levels status quo. But I also understand that the City Manager, at that time, had a vision and had his plans, and he had an idea of how he wanted to get where he wanted to go. So to do that, that's where he added positions and was counting on other line items coming to fruition.

Mayor Rojas: You mean revenue coming in ...

Ms. Aguirre: Other revenue.

Mayor Rojas: ... that didn't develop or didn't, ...

Ms. Aguirre: Exactly.

Mayor Rojas: ... or didn't materialize. Correct.

Councilman Green: Yeah, because it was ...

Ms. Aguirre: Yes, Mayor.

Councilman Green: ... over our ...

Ms. Aguirre: That's correct.

Councilman Green: ... (inaudible) budget. I understand all that but the question, the initial question was why didn't we raise taxes back then if the taxes hadn't been raised in 36 years?

Mayor Rojas: Same answer that I gave you, Councilman Green.

Councilman Green: No, no, no, but that's not the previous administration.

Mayor Rojas: Oh, yeah, well, from the previous, I mean they never wanted to move ...

Councilman Green: No, but I'm talking about from the time that the previous administration took over to the new administration, so ...

Mayor Rojas: Yeah, from, ...

Councilman Green: ... (inaudible).

Mayor Rojas: ... from the Sernas, back from, you know, even the previous Mayor, from, I remember Mayor Eckstrom, right here, says we can't raise taxes because then, you know, people are not going to move in. And it never changed. Mayor Villegas, same thing. And so that's, that was not going to get the job done.

Councilman Green: Right.

Mayor Rojas: So, here we are.

Councilman Green: Well, no, ...

Mayor Rojas: (Inaudible) ...

Councilman Green: ... and that's, ...

Mayor Rojas: ... (inaudible).

Councilman Green: ... no, and I, and I understand that. That's ...

Mayor Rojas: It shouldn't have happened but it did.

Councilman Green: That's a historical.

Mayor Rojas: Yeah.

Councilman Green: Okay. Under the previous administration.

Mayor Rojas: Yeah.

Councilman Green: I'm talking about the current administration.

Mayor Rojas: But now we've got to, well, now we ...

Councilman Green: Three years ago, whenever we raised it. That's the question. And, and it's not that, you know, would we be better off if it would have been raised back then?

Ms. Moreno: And what they did, excuse me, Councilman Green and Mayor, what they did at that time is they adopted that secondary property tax, which brought in \$600,000. And we were able to receive that for three years. Because at that time, there was, there was always a need. There's never been a time where there wasn't a need. So even at that time, there was a need and, you know, it was justified as to where those revenues went. However, you know, three years later, it was found that, you know, the way that it was implemented was not correct. So then now, we're still suffering that loss.

Councilman Green: No, we're, yeah, ...

Ms. Moreno: So we're ...

Councilman Green: ... (inaudible) ...

Ms. Moreno: ... trying to still plug in, you know, the \$600,000 and we're just not there yet. We're just not there yet. Even with the sale of the library and even with not filling vacancies and, you know, it's just the cost of operating, you know, a City. It costs. And I still don't think we answered your question.

Councilman Green: No, you did.

Ms. Moreno: We don't know why (inaudible) ...

Councilwoman Mendoza: (Inaudible), yeah.

Ms. Moreno: We don't know.

(Simultaneous conversation)

Councilman Green: And I'm not picking on you, believe me. I'm just trying to get a, a mental picture as to why this didn't occur three years ago, four years ago when the need existed. If we went back to raise a sales tax, why didn't we look at all these and do a portion, you know, a .5, zero five, or .5% instead of a .2, or not, excuse me, a 2.5%.

Ms. Moreno: Right.

Councilman Green: I mean, you, you go from a 10% increase in overall funding to raising the tax liabilities to these businesses by 100%, in some cases over 200%, some cases over 300%, depending on the option that we (inaudible). Is that correct:

Ms. Aguirre: Mayor and Councilman Green, that is not correct. I believe you may be confusing the proposal to increase the sales tax rates to the proposal to increase occupational rates.

Mayor Rojas: We're just working on occupational right now.

Ms. Aguirre: Occupational, the occupational rates apply to those businesses ...

Councilman Green: That provide a service, ...

Ms. Aguirre: ... (inaudible).

Councilman Green: ... I understand that. Yeah.

Ms. Aguirre: And, in fact, back to that point when you are referring to, there, there was, I guess you can say, a phased-in approach to this where the rate that was charged to the residential rentals and the commercial rentals, that one was increased. That one was modified. That was the only business activity in the City Code that was affected back in 2014. And when the budget was being prepared at that point as well, I, although I wasn't the one who prepared it, I was well aware that a menu of options was presented to the Mayor, members of Mayor and Council for selection. You can project, but you really don't know whether those are all going to materialize. There's other, you know, ...

Councilman Green: Well, there's other ...

Ms. Aguirre: ... factors involved.

Councilman Green: ... factors, yeah. But going to the, on the property itself when you're, the commercial property, what's the rate right now? Was 2.5?

Ms. Aguirre: Mayor, Councilman Green, it is, are you talking about ...

Mayor Rojas: Two, 2.5.

Ms. Aguirre: ... the sales tax ...

Mayor Rojas: No, the ...

Ms. Aguirre: ... or the occupational?

Councilman Green: The occupational tax.

Ms. Aguirre: The occupational that is charged by the Finance Office on a quarterly basis is currently \$25 per unit per quarter. That is the occupational.

Councilman Green: The owner that owns the building and rents it to somebody.

Ms. Aguirre: That is correct.

Councilman Green: What, that's \$25?

Ms. Aguirre: Per unit, per quarter. Per City Code.

Councilman Green: Okay. Where did I get 2.5 from?

Ms. Aguirre: You are referring to the sales tax rate.

Councilman Green: Okay. And then we want to go from 2.5 in sales tax to 5%, right?

Ms. Aguirre: Correct. That, to 5.5%.

Councilman Green: Five and a half percent, so five twenty-five?

Mayor Rojas: Double, double.

Ms. Moreno: And, and ...

Councilman Green: Yeah.

Ms. Moreno: ... if I can just ...

Councilman Green: And some.

Ms. Moreno: ... make a comment, excuse me, Mayor and Councilman Green, that is based on the rent that they charge.

Councilman Green: Right.

Ms. Moreno: So for a commercial rental and the other option was for the residential rentals, that was for the rent that they charge on a monthly basis.

Councilman Green: Mm hm. Exactly.

Ms. Moreno: (Inaudible), you know, they pay currently the 2.5% of whatever they charge.

Councilman Green: Right. So ...

Ms. Moreno: And then ...

Councilman Green: ... do, 2.5% out of \$100 ...

Ms. Moreno: ... is \$2.50.

Councilman Green: Right.

Ms. Moreno: So that's what the City receives.

Mayor Rojas: Now it will be \$5.00.

Councilman Green: So now it will be \$5.00.

Mayor Rojas: That's it.

Councilman Green: Okay.

Ms. Moreno: \$5.50.

Councilman Green: \$5.50, yeah, because it's two point, you know.

Mayor Rojas: Okay, but it has not been touched for such a long time and I don't know if ...

Councilman Green: Well, no, and ...

Mayor Rojas: ... (inaudible).

Councilman Green: ... that's what I'm saying, how many is, is it going to be sticker shock for a lot of these people, that's what I'm saying. Because ultimately, it's going to be passed down to the consumer.

Mayor Rojas: Sure.

Councilman Green: You know.

Mayor Rojas: And, you know, like I, I'm almost sure, 'cause I've heard and this is not (inaudible) that a lot of these landlords go ahead and charge 'em and they plan to charge 'em 5% increase on an annual basis on rentals. And they do that whether we raise our, their rate or not. And that's a conservative one. Some of them go as high as 10% on their rental. I mean this is what, and in the City it's worse. Some of those commercials in the City, some of those people in the City are, you

know, are, are really outrageous on the rental rates. But we're still a little bit more conservative and, and more generous.

Councilwoman Mendoza: Yeah, ...

Mayor Rojas: Yeah, but I, ...

Councilwoman Mendoza: ... (inaudible) ...

Mayor Rojas: ... we understand exactly ...

Councilman Green: No, yeah, ...

Mayor Rojas: ... what you're saying.

Councilwoman Mendoza: No, yeah, I agree, Green. I think that over time, we should have raised it little ...

Councilman Green: (Inaudible) ...

Councilwoman Mendoza: ... by little ...

Mayor Rojas: But somebody should ...

Councilwoman Mendoza: ... but (inaudible) ...

(Simultaneous conversation)

Mayor Rojas: And now we're correcting the ...

Councilwoman Mendoza: We're going here ...

Mayor Rojas: ... issue and now ...

Councilwoman Mendoza: ... and ...

Mayor Rojas: ... we're ...

Councilwoman Mendoza: ... you know and ...

Councilman Green: This is the ugly beast.

Councilwoman Mendoza: ... we can't control that, yeah. The thing is is that I think I have more sticker shock about us not raising it since 1980 than they're going to about 3%.

Mayor Rojas: Yeah.

Councilwoman Mendoza: So, I mean, and we just can't sustain the City.

Mayor Rojas: I agree.

Councilman Green: Oh, no, and I, and I agree with you. And I agree. But I'm saying, you know.

Councilwoman Mendoza: Yeah.

Mayor Rojas: Okay. I would like to go ahead then on the occupational license increase, could I go ahead and entertain the motion from one of my colleagues here, one of the colleagues on this? Green?

Councilman Green: Did you finish with ...

Mayor Rojas: With the report?

Ms. Aguirre: We can definitely go over it. There's a lot of research that was done but I think what kind of like even open your eyes even more is to, the comparables with other cities and towns, like what the City of South Tucson, what we do as far, we actually provide a full, we're a full service city. We do Police, we do Fire, we do the Court, we have an Administration, we have a Public Works, whereas you will see, once Lourdes goes over this report, other cities that are four, five, six, seven, eight, nine, ten times bigger than the City of South Tucson have limited services that they provide. And even the ones that they do provide for it, they charge. So you will see those numbers which will probably be a little bit flabbergasting to you once you look at the City of South Tucson compared (inaudible) and the services they charge and the cost.

Councilman Green: Let's go through the ...

Mayor Rojas: Yeah, yeah, give, give us, which one? Well, give us another city.

Ms. Aguirre: Okay. So, Mayor, members of the Council, if you can please refer to this chart right here, titled "Research Occupational" (inaudible) license. The way this was done was a survey was sent out to pretty much all the cities in Arizona to see, you know, who responded. And the question was, "Which of your cities have occupational fees, occupational license fees, and if so, what are they?" I received about 23 responses. And the responses varied from, we only charge a business license fee, which as you can tell, and you have the jurisdictions running across, the fees for a lot of them are much greater than what we charge for our business license fee. In some cases, some of those jurisdictions don't charge occupational license fees, and others do. So, for those that do, you'll see the back up in your agenda packets for all those jurisdictions. I believe it was one, two, three, four, it was about 8 jurisdictions that provided their back up. And some of them called their occupation fees, they call them business license fees, or business registration fees, or they have a condensed list. Some other, like Surprise and Yuma, have a very long list like us. Nonetheless, it's comparable to an occupational license fee, like us, because they charge it based on the type of service business that, you know, is provided. After completing this review, I also felt it would be very telling to bring together other things like statistics, population, the area for these different jurisdictions, the size of their budget for their General Fund. Of that General Fund, how much is brought in, you know, in sales tax revenue; how much comes in from property tax revenues; how much comes in

from intergovernmental or State-shared revenues, as well as what types of services do they provide? Do they provide Police? Do they provide Fire? And what you can tell is that the City of South Tucson is really like no other city. You can pretty much tell by our population and our size, if you calculate the concentration of population to a square mile, it's at 83% whereas nobody else compares to that with the exception of Guadalupe. Guadalupe is on your second page. Now if you look at Guadalupe, what they do is they have a population of 5,500. Their area is much smaller. Their General Fund budget is \$2,000,000 higher than ours. Ours is \$5,000,000, theirs is \$7,000,000. What they bring in in sales tax revenue is 1.9, or 26% of their budget. That's, obviously, not comparable to ours because sales tax revenue makes up 51% of our General Fund budget. But if you look at intergovernmental and State-shared revenues, I don't know for certain what it is that makes all of that up, but they get a lot more funding from intergov and State-shared revenue. If you look at the bottom, they get ...

Councilman Green: Is this a, excuse me, is this through the casinos?

Ms. Aguirre: I really ...

Councilman Green: The State-shared revenue from the casinos?

Ms. Aguirre: Mayor and Councilman Green, I really can't tell because I was going off of the condensed auditor general budget forms that they provide. But I mean you could tell the disproportion. It could be because of the makeup of their population.

Councilman Green: Yeah, because the only, yeah, and that's what I was going to say because the only other State-shared revenue would be a HURD fund, that I can think of.

Ms. Aguirre: Yes, Councilman Green, HURF State-shared revenues, income tax, and (inaudible) and that is all split by population. So with that respect, they might be getting the same amount as we are, but just a lot more from other intergov. Okay?

Councilman Green: Because of the makeup.

Ms. Aguirre: Correct. Correct. So ...

Mayor Rojas: Then the other ...

Ms. Aguirre: ... out of, yeah, so out of their 7.5 million dollar budget, 5.1 million comes from State-shared revenues intergov whereas we only get 1.1 million.

Mayor Rojas: Let, let me entertain, just, and if I'm wrong, I can be corrected. If I'm not mistaken, they're provided law enforcement by the Sheriff's Department. They don't have a Police Department.

Ms. Aguirre: That is correct, Mayor.

Mayor Rojas: So there's no cost for ...

Ms. Aguirre: That is correct. That's one way that they found to limit their expenditures. And that's true in a lot of these other cases. You will notice there, the boxes there are shaded in grey are those that provide limited services. Yet South Tucson, you know, we have one of the smallest budgets but we provide full service. And it could be because of the size of their budget, the size of their population, or it could be a conscientious effect to fiscally balance their budgets. Therefore, based on this research that I conducted, the conclusion was everybody is unique. And it seems like everybody has done what they need to do to continue to provide services. Right there, the column titled "Average", actually calculates the average percentage in each one of those line items for all those jurisdictions that participated in the survey, and how it compares to us. You can tell that the primary property tax, the average is 9% whereas we only bring in 1% of property tax, you know, as compares to our full budget. State-shared revenues, the average was 33%. Of course, there's those like the Town of Guadalupe that, you know, are pretty much (inaudible) in that calculation. But 33%, we're at 21%. I really thought that you all should have that information.

Mayor Rojas: It's very helpful. You must have, either you went through a lot of books or your computer went through a lot of clicks.

Ms. Aguirre: Yes, we went through a lot of ...

Mayor Rojas: Yeah, appreciate ...

Ms. Aguirre: ... research.

Mayor Rojas: ... it, Lourdes. Sure appreciate it. Any questions?

Councilman Larribas: I have a question, Mr. Mayor. You brought up the Fire and Police, and the Sheriff takes care of it, but do they pay for that or not?

Ms. Aguirre: Mayor and Councilman Larribas, I could certainly send them a question to ask them, but what I believe is what happens is they probably get billed a certain amount or there's a mutual aid agreement of some sort.

Mayor Rojas: (Inaudible) it's an IGA.

Ms. Aguirre: Right.

Mayor Rojas: Intergovernmental agreement, if I'm not mistaken. And that can very easily be done because they're already in the neighborhood so. Any other questions?

Ms. Moreno: We also conducted (inaudible) Mayor, before we ...

Mayor Rojas: Yeah, go ahead.

Ms. Moreno: Because Councilman Green had a question at the last meeting regarding the median household income for those in the City of South Tucson. So Lorenzo provided that presentation and he also looked at another, looked at research as to some questions that Councilman Green had. So I'd like Lorenzo to come up and provide the Council with information that he requested.

Mr. Gonzalez: Mr. Mayor, members of the Council, ...

Mayor Rojas: Which sheet? This one or this one?

Mr. Gonzalez: We're doing this one. In response to your inquiry, Councilman Green, we included the median household income and the median family income for each of the 39 cities that we previously discussed. In looking at the data, I made some more inferences based upon the data and based on the 39 other cities that tax rentals, as we do. We have the second lowest median household income at \$23,788, but we had the lowest median family income at \$22,324. A household is defined as one or more people living in a residence. A family is more than one person living together, either married or of the same bloodline. And of the 39 other cities, only four have median household incomes in the \$20,000, so I think that this speaks to the point that South Tucson really, it's hard to compare South Tucson to other cities. It's very telling that for rates at 2% or less, so if the residential rental tax rate, on this spreadsheet, for rates 2% or less, the average median household income was \$56,050. For rates above 2%, the average median household income is \$42,937. So, there's a trend, that shows a trend that as the rates, the rates above 2%, you know, the median household incomes are lower, which case, that's what we're trying to do here in the City of South Tucson as well. The total potential gross ranked based upon what the number of rentals and the monthly, the average monthly rent that they charge, so if you look at the spreadsheet where it says "Total Gross Rent", okay, about five or six in from the right, that was a number that was projected based upon the number of rentals and what they charge per month. And so in that total potential gross rent, from zero to \$10,000,000 of potential gross rent, you have a 2.66% average rate. For total potential gross rent, \$12,000,000 all the way up to 432.5 million the average rate is 2.21%. So again, that's following the trend that we're trying to recommend. And I thought, and it's also very telling that the total potential gross rent from zero to \$10,000,000 where we fall, we're the highest in that range at potentially 9.1 million dollars. But we have the third lowest average monthly rate at \$582. So that's, the inferences that were made from the research and from the data (inaudible).

Councilman Green: Excuse me, Mr. Mayor. Total gross rent, are you insinuating these are what the total number, the, all renters property owners have per year or per month or what?

Mr. Gonzalez: Well, the, so the, Mr. Mayor, Councilman Green, the total gross rent was just a projection of what is possible considering what they charge per month times the number of ...

Councilman Green: (Inaudible).

Mr. Gonzalez: ... rentals.

Councilman Green: Yeah, okay. So you're saying ...

Mr. Gonzalez: So the total gross rent is in a year, excuse me, I'm sorry.

Councilman Green: Yeah, that's what I was gonna say, ...

Mr. Gonzalez: (Inaudible) ...

Councilman Green: ... times twelve.

Mr. Gonzalez: ... (inaudible), yes.

Councilman Green: Okay. So there, so between all the business owners, because that's what we're talking about, we're not, this is excluding, this is excluding rentals, right? Property rentals. Housing. Or is this all ...

Mayor Rojas: You're, you're talking Section 8 Housing? I mean ...

Councilman Green: No, no, just, just any kind of rental. I have a home. I'm renting it. Are we included this in this, or is this just a business aspect of it?

Mr. Gonzalez: Mr. Mayor, Councilman Green, this is strictly based upon rents being charged here in South Tucson residential rates.

Councilman Green: Okay.

Mayor Rojas: That you have a business license to charge.

Councilman Green: Right. Okay. So that's what I, okay, 'cause I was under the impression, you know, you were still dealing with strictly only business.

Mayor Rojas: No.

Mr. Gonzalez: And Mr. Green or Councilman Green, as you may recall from the last time, there were, in the, based upon the research that I did where I took these numbers from, a significant number of renters indicated that they don't pay rent. And what was also telling is that our Inspector has suggested that he knows of quite a few people that are charging rent that do not report ...

Mayor Rojas: Because they ...

Mr. Gonzalez: ... their, their, ...

Mayor Rojas: ... don't take a license out.

Mr. Gonzalez: ... that income as rental income. So there's, so essentially, this total could be more and we're missing out on some ...

Mayor Rojas: Revenue.

Mr. Gonzalez: ... (inaudible). Yes, sir.

Councilwoman Mendoza: Is that, I mean that ultimately is our fault for not enforcing and not ...

Mayor Rojas: Well, they're breaking the ...

Councilwoman Mendoza: Having our ...

Mayor Rojas: ... law.

Councilwoman Mendoza: ... Inspector sending out some kind of like proof to us that you are living here or that you are not renting these rentals out. I mean that ultimately lies on us.

Mayor Rojas: Yes, Veronica.

Ms. Moreno: Mayor, Councilwoman Mendoza, it's a hit and miss because what we do is we send a notice that the City of South Tucson is, you know, basically the language in the letter is basically telling them, you know, through an inspection, the City of South Tucson has found that this property has been determined as a rental. So if that property owner tells us no, we have to go based on their word. I mean it's hard to prove if it's a rental or not. Because it could be that I'm a property owner and my daughter is living there. So I could just say my daughter's living there. Or I could say that I'm not renting it because it's my cousin's. So it, we have to have faith in the property owners when we ask them that they're telling us the truth. Because we can't force them to get a license. Even though we are pretty sure that it is a rental. It's hard to prove it. So we go based on good faith that when we ask and we send these notices, that we're given the right information. So the ones that we may, are pretty sure are rentals, that we don't have listed as a business license or are not license holders, and we can't, we're kind of tied. So there's always those situations where it's really hard.

Councilman Green: So the burden of proof would have to be on us.

Ms. Moreno: Right.

Mayor Rojas: Couldn't we find out through the utilities? I mean you'd think that that gentleman or that owner is paying utilities for his house, wherever he lives, and over here, daughter, cousin, uncle house, too, that's ...

Ms. Moreno: That's one way, Mayor, to find out. However, it's still burden of proof, like Councilman Green mentioned ...

Councilman Green: Yeah, 'cause, no, ...

Ms. Moreno: ... (inaudible) ...

Councilman Green: ... even though ...

Ms. Moreno: ... inaudible).

Councilman Green: ... let's say I have a rental and I have my cousin live, and it's not even a rental. I have a house and I have my cousin living there for free because he got a divorce five years ago and he hasn't been able to overcome it or whatever, or whatever situation, it's my right as a, you know, to allow a family member to live there. And he can, he or she can put the water bill or gas bill or electric bill in their, as long as I'm not profiting. That's what you're saying, right? As long as I'm not getting any money ...

Ms. Moreno: Councilman Green, Mayor, even if they are (inaudible) how are we to, how are they going, ...

Councilman Green: Right. How ...

Ms. Moreno: ... how are we to get the proof?

Councilman Green: Yeah.

Ms. Moreno: You know, how are we going to prove that it is a rental or that it's not a rental, or they are receiving income, or they haven't increased the rate. So some of them probably have increased the rate. I mean I don't know. I'm making an assumption.

Councilman Green: Yeah, no, that's ...

Ms. Moreno: I don't want to, you know, call out any particular property but, you know, is it likely that some of these rates have gone up over the course of the years? I'm sure.

Councilman Green: I'm sure they have.

Ms. Moreno: And, you know, they put in one amount and, I mean we'll never know. We have to just go based on good faith and they're giving us the truth.

Councilman Green: Yeah.

Ms. Moreno: When it comes to reporting the income that they receive and then when it comes to them reporting to us, if in fact, it is or is not a rental, so it's hit and miss a lot.

Councilman Green: No, ...

Ms. Moreno: I mean sometimes we find that when they tell us they're not but it is, or the opposite, or they get us a letter from, I mean we've gone that far. I mean Lourdes and Finance Department have gone that far, you know, especially with what we went through with the former waste collector in trying to see, okay, who's on the utility statement. You need to give us proof. We're going to send our inspector. We've got to see if it's habitable or uninhabitable. I mean we really went that extra mile just to try to have our records straight. So we've done all that.

Mayor Rojas: We have another, we uncovered another little problem that we need to, I guess, resolve with ...

Ms. Moreno: But we have ...

Mayor Rojas: ... the next ...

Ms. Moreno: ... another ...

Mayor Rojas: ... 12 months.

Ms. Moreno: ... solution for that.

Mayor Rojas: We'll do, yeah, we'll, ...

Ms. Moreno: (Inaudible).

Mayor Rojas: ... we'll figure out, yeah. Any other questions? Councilman Green?

Councilman Green: No, I'm fine. Thank you.

Mayor Rojas: Councilwoman Mendoza?

Councilwoman Mendoza: No, thank you.

Mayor Rojas: Councilman Larribas? Are we ready to move on the item then, please?

Ms. Moreno: And just one more fact, Mayor, that I'd like to point out. We did another little research that wasn't requested, but just to, for information for the Council. He actually looked into comparables with other cities and towns that clearly are not equal to the City of South Tucson. But just for call for services as relates to both Police and Fire.

Mayor Rojas: (Inaudible).

Ms. Moreno: (Inaudible) the volume of phone calls that the City of South Tucson receives.

Mayor Rojas: Talk to us.

Mr. Gonzalez: Mr. Mayor, members of the Council, so I did the, I actually called all of these cities. And the reason that I chose these cities is because they are on the spreadsheet that I gave you, the 39 other cities that tax as we do. And we always want to look at, you know, well, we want to look at cities that are like South Tucson and I based it upon population. But I think that this further shows that, again, that we are unlike any of the other cities that are on this list. In speaking to them, I called them and I either spoke to somebody in Police or Fire. In some cases, I wasn't able to get the information or they didn't have it available. But you can see here that many of these cities, they do not take the service calls that we do. And this further stresses how, how stressed our service, our services are here. We can see that, I mean if you look at the Fire for the ones that are, for the cities that have less population than we do, they're all under our number there. In some cases, they have no Fire Department. And then, again, too, as was mentioned earlier, Guadalupe, Cave Creek, they contract with Maricopa County Sheriff's. They don't have a Police Department. And then many of, some of these Fire Departments they're only volunteer Fire and they don't have, they do no medical, they only do Fire, or they're just volunteer Fire Departments. If we're looking at Page, we're looking at Page, Page has a population of 7,440, which is just slightly more than we have. And their police service calls were 16,476. But it's important to note that they are a tourist town. And from April to September, their tourist season, they have one to two million tourists. That's what the person that works there told me.

Mayor Rojas: The winter bunnies.

Mr. Gonzalez: So, and they have, you know, lakes and things like that up there, so I mean for 16,000 service, police service calls for a population of over 1,000,000 is nothing compared to the service calls that we have for police, 9,582 for a population of 5,730. And this further shows how stressed the Police Department, the Fire Department services (inaudible). And that was the reason that this was (inaudible).

Mayor Rojas: Appreciate it. That's a good report. Any questions? Councilman Green? Councilwoman Mendoza? Larribas? Are we ready? Yeah, we're late but, and we'll probably be the bad guys one of these days for some of these folks that are going to tell us, you know, you're mean, you're mean to us, but what can I say? On occupational license increase effective for October 10, 2016, I'd like to have a (inaudible). Councilwoman Mendoza, any questions?

Councilwoman Mendoza: No.

Motion by Councilwoman Mendoza to recommend that the Council move ahead with Option 7 for the Occupational Rate Increase option and let the City Manager and Finance Director continue with the efforts of Option 7.

Mayor Rojas: All right. Thank you. Second to the motion?

Councilman Green: I hate to second it, but I will. It needs to be done.

Mayor Rojas: Yeah, it needs to be done.

Councilwoman Mendoza: Yeah.

Mayor Rojas: Second by Councilman Green.

Councilman Green: We need to pull the Band-Aid off.

Mayor Rojas: Any more discussion, yeah, any more discussion on the motion? Can I just go ahead and have a Roll Call just to make sure.

Councilman Green: Well, before we do the Roll Call, one other thing, is it, is there anything else we, you know, that we need to look at before, you know, that's, you know, may generate revenue that we haven't thought of yet, or haven't, hasn't been brought up to us?

Ms. Aguirre: Mayor and Councilman Green, believe it when I say we are very limited in the ...

Councilman Green: No, ...

Ms. Aguirre: ... types of revenues we can bring in. So these are pretty much the only options that we have available to us. You may recall we have also contracted with a financial adviser and even their

professionals have looked at it and determined, you know, legally there is, these are your only options.

Councilman Green: Where are ...

Ms. Aguirre: With regards to revenue.

Councilman Green: Right.

Ms. Aguirre: So if you want to continue to provide the same level, the same services, I mean then to offset the expense or the deficit, you increase your revenues. Otherwise, to limit the impact of an increase, you'd have to cut services.

Councilman Green: Okay. And where does this take us in clearing the deficit? What (inaudible)?

Ms. Aguirre: So Mayor and Councilman Green, because this is a part of the packet ...

Councilman Green: Yeah.

Ms. Aguirre: ... of recommendations, I really can't tell you. I mean the impact for this one option alone is only \$33,000. So your approval of the subsequent options will actually tell us where we might end up.

Mayor Rojas: Okay. Okay. So, yes, Councilman Larribas.

Councilman Larribas: How about any other, any other cuts, any other, anything that we can do anywhere else that might help out? Is there anything else?

Ms. Moreno: There's, I mean there's many options, Councilman Larribas, Mayor, that we can cut. As you know, when Lourdes went over the simple pie chart and she looked at, you know, personnel is the biggest cost to the City. You know, we have a \$5,000,000 budget and \$3,000,000 of that budget is personnel. So, I mean, you can be creative on how you would like to, if you wish to go that route to make cuts, that would be the only area to cut.

Mayor Rojas: No, I don't like that one at all 'cause it's going to hurt.

Ms. Moreno: Right. And thank you, Mayor. We have not provided you with any recommendations so that we can cut any costs personnel-wise 'cause we're status quo right now as it is, so if we, you know, we're very lean with the personnel we have already. So we'd have to like, you know, cut in a way where it would result in furloughs or unpaid holidays and a decrease in salaries. That would be where you would have to cut.

Mayor Rojas: Okay. Call for the question. Let's go. Yeah?

Councilwoman Mendoza: No, I just want to make a statement that's on record.

Mayor Rojas: Yeah.

Councilwoman Mendoza: These rates have not been updated since 1980. We cannot continue to run a city off of 1980 revenue. It's not going to happen unless we are willing, as a city, to get rid of our Fire or Police or other Public Works services, and then depend on someone else. So, as a city we cannot continue to run a business off of 1980 revenue. It's just not going to happen and with that in mind is why I recommend what I recommended. It's not because of anything else or, you know.

Councilman Green: No, and I get, and everybody here, you know, we all understand that, Councilwoman, and we all agree with the statement you made. It's just very painful. You know, the gross negligence of whatever happened prior to, you know, the previous administration, those are the skeletons in the closet that we knew when we ran and we were accepting these positions that we would be dealing with. And, you know, some of them were just more painful than others. And this is one of the ones that are painful but if we want to continue being a city and continue being, you know, having our own Police Department, like you said, a Fire Department, which they do outstanding work, as you can see, the number of responses are close to ten thousand, you know, that was just the Fire Department, or Police Department, correct?

Mayor Rojas: Mm hm.

Councilman Green: Mr. Gonzalez? That was, that was just the Police Department on the calls ...

Mayor Rojas: Nine thousand, ...

Councilman Green: ... for service?

Mayor Rojas: ... yeah, yeah, ten ...

Mr. Gonzalez: Nine thousand ...

Mayor Rojas: ... thousand Police ...

Mr. Gonzalez: ... for Police and ...

Mayor Rojas: ... and 2,000 for ...

Mr. Gonzalez: ... (inaudible) Fire.

Mayor Rojas: ... Fire.

Councilman Green: And I would say that half the calls are going to be with Police and Fire, right? So we're talking about close to 16,000 calls for service between Public Safety, which is outrageous in a one-mile city.

Ms. Moreno: I mean just in, excuse me, Mayor and Councilman Green, just from January to mid-February, there's about 270 calls in the Fire Department. So if you do the math, ...

Councilman Green: Yeah.

Ms. Moreno: ... Lourdes, you can do it, yeah? So let's say an average of 300 calls a month, you know, times twelve for Fire. That would ...

Councilman Green: Thirty-six ...

Ms. Moreno: ... bring you ...

Councilman Green: ... hundred.

Ms. Moreno: ... to, right.

Mayor Rojas: Thirty-four.

Ms. Moreno: Yeah.

(Simultaneous conversation)

Mayor Rojas: Okay. I'll go ahead and call for vote.

Motion passed unanimously.

Ms. Moreno: I just want to thank Mayor and Council for making this decision. I know that it was really hard. I even got the chills when Councilwoman Mendoza made that statement. I know that the City of South Tucson has, we're a really small city, yet we want to continue to provide a level of service that we have over the course of the last 70 years. And it's at a cost. You know, and whoever and whatever was here before us, you know, they did what they did for whatever reasons that they did it. But we know what we're doing and why we're doing it. And that's the reason why we wanted to do further research to show you why we are so unique and why we want to continue being a city and providing that level of service without having to rely on, you know, other jurisdictions. You know, we've already done that once this year. But we're going to do our damnest, excuse me, to continue with what we have to be a city. We want to continue to be solvent. We don't want to rely on others but it's going to be those challenging, those hard decisions that you as a Council will have to make. And it's not done yet. We still have some, the other recommendations that we have already gone over with you that we are going to come back with you within the weeks to come. But I really want to thank you and thank Lourdes and the staff here because they have done so much work so we can further show you and prove to you the need that the city has in order to move forward with the services that we provide. Thank you.

Mayor Rojas: I just want to make a statement. Go ahead.

Councilman Green: Yeah, before we close, I'm sorry, Mr. Mayor.

Mayor Rojas: I'm not closing. I'm going to make a statement.

Councilman Green: Okay. Could I make a statement before you make a statement?

Mayor Rojas: Go for it.

Councilman Green: Okay. One of the things is that all this information is just bombarding us. Okay? And I know that you're working real hard. Can we get the information earlier? And I mean not the day before. I'm talking, and I understand certain things happen but, you know, can we put like a window, let's say that if next meeting is on Monday, next Monday, the agenda items, anything going on the agenda items should be already printed by Monday of the previous week so it could be printed or done by Tuesday and we can have it in our hands by Tuesday, Wednesday? 'Cause, yeah, it's just, makes it real difficult for, and time-consuming, not only for you guys when you work, and you're working reactive as, you know, you know, reactive, but it gives us a chance to look at what we're discussing. Then if any City Codes or any A.R.S.'s are quoted, can you include those in the agenda item?

Ms. Moreno: Certainly.

Councilman Green: Because, I mean I know a lot of people can't navigate through, you know, the actual internet, trying to get A.R.S.'s or, you know, and that way we have the little portion of it.

Ms. Moreno: Okay.

Councilman Green: You know, I mean it's a recommendation. It's a suggestion.

Ms. Moreno: Thank you, Councilman Green and Mayor, as a matter of fact, we do our very best to accommodate and give enough timeliness to the Council to look at the information that we provide and some of the recommendations, I mean we've been going over this since March and, you know, it's been a process to process all this information and it's strenuous to the Council as it is for the staff. But we will do everything that we can to at least provide you with a more timeline, timeliness manner as far as presenting some of these items to you. And before I end this, I also need to make sure that I point out that part of, what you need to decide tonight, as well, is making a decision on the options that we have provided you regarding the rate increases. And the reason why it's so important and so critical to this budget process is because of the posting requirements that we've mentioned before. So if you look at, I think Lourdes has provided you with the title of the document is "The City of South Tucson Sales Tax Industry Summary". And (inaudible) rate increase options. These are those sales tax options that we have discussed.

Mayor Rojas: Yeah.

Ms. Moreno: Which is separate from the occupational rates. And this has to do with, um, with the commercial and residential rental increase. And if you look at your executive summary, just so that you know what the options are and I can go over them. Do you have the document in front of you?

Mayor Rojas: Which one?

Councilwoman Mendoza: This one. Lourdes handed this to us.

Mayor Rojas: Oh (inaudible). That one?

Ms. Moreno: Right. I'll let Lourdes go over (inaudible)...

Mayor Rojas: Okay.

Ms. Moreno: ... (inaudible) than I do.

Ms. Aguirre: Mayor, members of the Council, you may recall the spreadsheet from last week. So, pretty much the two options that were on the table for your consideration were option 3 and option 4. Option 3, well, first I should start off by saying that none of these options propose an increase to retail sales for food for home consumption. Option 3 is pretty much, I guess we can call it an alignment method where all other industries would actually be brought up to the highest rate of 5.5, which is what applies currently to restaurant and bars. Okay? So it would just impose a 1% increase. I should also mention that one of the industries less affected would actually be communications and utilities. The proposed rate on that, and proposed increase is not 1% but half a percent. And that's because that's what reflects on the utility bills of your constituents. Okay? So that's option 3. Option 4 is pretty much the same. However, embedded in here is a less than a half percent increase to restaurant and bars, which would actually round up the total sales tax shown on a recent from 11.6 to 12%.

Mayor Rojas: To twelve.

Ms. Aguirre: Okay? And that is actual, that's optional to you ...

Mayor Rojas: And just half ...

Ms. Aguirre: ... (inaudible) ...

Mayor Rojas: ... a percent.

Ms. Aguirre: ... together. Okay? You can piece it together how you want. And the difference from option 3 to 4 is that on the commercial rental, instead of aligning it at 5.5, it will align, it would actually put it a point above, at 6.5%.

Mayor Rojas: Six point five.

Ms. Aguirre: And you see what the numbers actually come out to. In here, in this top section that I just reviewed with you, is not included the residential rental. The option for increasing the sales tax rate on residential rental either to 5.5% or 6.5% is at the bottom. You can see the table at the bottom. But this is something that would actually have to be put on the ballot.

Mayor Rojas: Oh, so that would have to go voted for.

Councilman Green: Yeah.

Ms. Aguirre: That is correct.

Mayor Rojas: Well, can we do this now and then have to wait for that one to ask, 'cause it has to go to a ballot. You'll have to go sometime in November.

Ms. Aguirre: That is correct.

Mayor Rojas: So, but we can vote on this one now?

Ms. Aguirre: Right.

Mayor Rojas: And this would be option 3. Correct?

Ms. Aguirre: Mayor, ...

Councilwoman Mendoza: Or 4?

Ms. Aguirre: ... members of the Council.

Mayor Rojas: Or 4?

Ms. Aguirre: Option 3 or 4, and whichever one you prefer, I mean you can choose certain elements of either option.

Ms. Moreno: However, I'd like to make a comment here. Staff is in recommendation of option number 4. I would say that you would recommend option number 4 without increasing the restaurant and bar, because the restaurant and bar was just increased in 2014. So that would be another hit to the restaurant and bars that, you know, I don't want to, quote, unquote, you know, ...

Mayor Rojas: So ...

Ms. Moreno: ... nickel and dime the restaurant and bars, you know, time, over time, when we just did it two years ago. But I, I do highly recommend that the Council consider increasing ...

Mayor Rojas: So it would be scenario 2?

Ms. Moreno: It would be option number 4, yeah, under scenario number 2.

Mayor Rojas: Okay. Is that correct, Councilman Green? Do you follow it?

Councilman Green: Yeah, I'm looking at it right now. But on the, on, not the manufacture but wholesale trade, it's a percent is.

Ms. Moreno: Wholesale trade.

Councilman Green: Okay.

Mayor Rojas: I see wholesale trade.

Councilman Green: Forty-six, huh?

Mayor Rojas: Yeah, I see wholesale trade, from 4.5 to ...

Councilman Green: Yeah, on option 2 it goes to 5.5 then?

Mayor Rojas: Yeah, (inaudible) is 1%. Yeah.

Councilman Green: It increases 1%?

Councilwoman Mendoza: I'm normally not lost, but I don't see where you're talking about option 4, scenario 2.

Ms. Moreno: Okay. It's because he's looking at the scenarios we presented to ...

Mayor Rojas: See right ...

Ms. Moreno: ... (inaudible) ...

Mayor Rojas: ... there. On, on ...

Ms. Moreno: ... (inaudible) ...

Mayor Rojas: ... this page.

Ms. Moreno: ... (inaudible) document.

Mayor Rojas: On this page.

Ms. Aguirre: So, Mayor and Councilwoman Mendoza, yeah, it's this page.

Councilwoman Mendoza: You were looking at the verbiage.

Mayor Rojas: Yeah.

Councilman Green: Oh.

Councilwoman Mendoza: I was like it's not on here.

(Simultaneous conversation)

Ms. Aguirre: Mayor and Council members, if I may, should you implement option number 4, which was represented in scenario 2 in last week's report, minus an increase to restaurant and bars, which is about \$50,000, you would actually see a surplus on the budget of about \$40,000, which could definitely be used for repairing the roof, sustaining other expenses that we also discussed last week.

Mayor Rojas: Remember when you asked is there anything we need to do?

Ms. Aguirre: However, Mayor, this is, if option 4 is approved by the voters.

Mayor Rojas: That one has ...

Councilwoman Mendoza: (Inaudible) ...

Mayor Rojas: ... to go to ...

Councilwoman Mendoza: ... (inaudible) residential ...

Mayor Rojas: ... a ballot?

Councilwoman Mendoza: ... part of it.

Ms. Moreno: Right.

Ms. Aguirre: Yes.

Councilwoman Mendoza: Okay.

Ms. Aguirre: That is correct.

Mayor Rojas: It still has to go to the ballot?

Councilman Green: Yeah, the, on the residential portion.

Mayor Rojas: No, no, let's get, forget the residential because then it won't, you won't be able to put it on the budget. Well, the ...

Councilwoman Mendoza: Because it wouldn't ...

Mayor Rojas: ... residential, ...

Councilwoman Mendoza: ... have gone to vote yet.

Mayor Rojas: ... the residential, we have to take out of here because we need to put this on October 1st into our budget.

Ms. Aguirre: Yes, Mayor, you are correct. So as of now, we will not be counting ...

Mayor Rojas: No.

Ms. Aguirre: ... (inaudible) revenues from that.

Mayor Rojas: No.

Ms. Aguirre: That's why it's stated separately.

Mayor Rojas: Okay. For scenario number 2, option 4, without restaurants and bars, at \$323,187, what is the wishes of the Council, please?

Councilwoman Mendoza: Mr. Mayor, I have a question real fast. So the \$323,000, that's minus the option 7 of the occupational tax. So the \$33,000 ...

Ms. Aguirre: Councilwoman ...

Councilwoman Mendoza: ... is, then we need to add that to that, and so we're kind of close to our deficit?

Mayor Rojas: Yeah.

Ms. Aguirre: Councilwoman, that is correct.

Mayor Rojas: Okay?

Councilwoman Mendoza: Okay.

Mayor Rojas: May I entertain a motion from the Council? And then have questions. For scenario number 2, option 4, without restaurant, without hitting the restaurants again. We hit 'em two years ago. What's the wishes?

Councilman Green: But wasn't it the sales increase across the board?

Ms. Aguirre: Councilman, Mayor, Councilman Green, the increase was 2% ...

Councilman Green: Yes, ...

Ms. Aguirre: ... across the ...

Councilman Green: ... across the board.

Ms. Aguirre: ... board. But restaurant and bars was already higher.

Mayor Rojas: So that's why we ...

Ms. Aguirre: So that's why they are at 5.5% right now, and everybody else, all other industries are at 4.5%.

Councilman Green: So, and then let me get this correct. The rate of increase would be 1%?

Mayor Rojas: Yeah.

Ms. Aguirre: That is correct, Councilman.

Councilwoman Mendoza: But 1.5 for commercial?

Ms. Aguirre: I'm sorry, Councilwoman?

Councilwoman Mendoza: Commercial rental.

Ms. Aguirre: Mayor and Councilwoman Mendoza, that is correct. It would actually be, for commercial rentals it would actually be a 4% increase, as you can see there. And the reason for that is because the last time the sales tax rates were increased, it was a 2% across the board. However, because the commercial rental activity, and the residential rental activity, was ...

Councilman Green: (Inaudible) ...

Ms. Aguirre: ... tied ...

Councilman Green: ... together.

Ms. Aguirre: ... together in our City Code. And the residential rental had, rate increase has to be approved by a vote. We could not impose that increase on that industry.

Councilwoman Mendoza: Okay.

Mayor Rojas: So you took 'em both out.

Ms. Aguirre: That is correct.

Councilwoman Mendoza: (Inaudible) ...

Mayor Rojas: So now they get ...

Councilwoman Mendoza: ... yeah, right, we took that out. Yeah, okay.

Councilman Green: I have one more question.

Mayor Rojas: Shoot, Councilman Green.

Councilman Green: Okay. So let's say the owner or the individual owns the building and is working out of the building. In other words, they're owner/occupant. Are you still charging them the 6.5? Because it's not a rental.

Ms. Aguirre: Mayor and Councilman Green, no, it is not charged. Unless they, by choice, are operating as an LLC, a limited liability ...

Mayor Rojas: And get a ...

Councilwoman Mendoza: ... corporation.

Mayor Rojas: ... business ...

Ms. Aguirre: ... company, ...

Mayor Rojas: ... license as a, ...

Ms. Aguirre: ... corporation.

Mayor Rojas: ... as a business, LLC.

Ms. Aguirre: And for business purposes, they maintain the revenues or whatever from either one. They operate them separately as if they're leasing to themselves. But that's a separate category.

Councilman Green: Yeah, so in, yeah, to minimize liability on their part, they went under an LLC.

Ms. Moreno: Right.

Councilman Green: So whatever they have, in case anything happens with the business, ...

Mayor Rojas: Lawsuit, yeah.

Councilman Green: ... they can't, they can only go after the assets of the LLC.

Ms. Aguirre: That's correct (inaudible).

Mayor Rojas: And I'll give you another secret. When it comes to filing taxes, they go ahead and file the use of the building as a tax ...

Councilman Green: Deduction.

Mayor Rojas: ... deduction. So they make money on that one. So I just thought I'd let you know. I mean I don't want to ...

Councilman Green: Business (inaudible) ...

Mayor Rojas: ... (inaudible) but business is that way. We know business. Questions? Comments?

Councilwoman Mendoza: Not any more.

Mayor Rojas: Okay. Are we all set? The wishes on sales tax increase, scenario 2, option 4, without restaurants and bars hit, what are the wishes of the Council, please?

Motion by Councilwoman Mendoza to recommend that Council entertain scenario 2, option 4, without restaurant and bars.

Mayor Rojas: Okay. Second to that motion, please.

Ms. Moreno: Excuse me, can we put them all in one motion and include the options (inaudible).

Mayor Rojas: The options ...

Ms. Moreno: (Inaudible) ...

Mayor Rojas: I thought we already approved, ...

Councilwoman Mendoza: (Inaudible) ...

Mayor Rojas: ... we approved ...

Councilwoman Mendoza: ... made motion for ...

Mayor Rojas: ... option ...

Councilwoman Mendoza: ... that.

Mayor Rojas: ... seven. It's already done. So this is the second ...

Councilwoman Mendoza: It was me ...

Mayor Rojas: Action item, ...

Councilwoman Mendoza: ... (inaudible).

Mayor Rojas: ... yeah. Okay. So is there a second to the motion?

Seconded by Councilman Larribas.

Mayor Rojas: It's been made and seconded so now we're going to vote.

Motion passed unanimously.

ITEM #05 – CALL TO THE AUDIENCE

Mayor Rojas: I have some audience that I think want to, usually, I entertain you at the beginning, but since you came now and you were so quiet and attentive, I hope you learned something. Who wants to address the Council, please?

Mr. Rodgers: We are Dancing in the Streets, and our students want to address the Council and Mayor.

Mayor Rojas: Shoot. I'm ready.

Councilman Green: No, don't shoot.

Mayor Rojas: I'm ready. Open the door, please. You didn't bring the music but that's okay.

Mr. Rodgers: No, we didn't bring no music, so.

Mayor Rojas: Don't be ...

Ms. Moreno: Do you guys remember ...

Mayor Rojas: ... bashful.

Ms. Moreno: ... Dolores Robles, our former City Clerk? This is her granddaughter.

(Simultaneous conversation)

Mrs. Selez: We're Dancing in the Streets Arizona and we're a 501c(3) non profit. We're a ballet organization right here on South 6th and 38th Street. We've been here eight years and we do not have any collaboration active with Higher Ground, and other organizations. We thought we would want to take this time to really introduce to the new Council and new Mayor, we're (inaudible). We thought the best way would be for our kids to kind of tell you their experiences with Dancing in the Streets, and invite you guys to come see our June 5th production. So we're going to have ...

Mayor Rojas: It's the Temple of Music and Art.

(Simultaneous conversation)

Mr. Rodgers: Temple of Music and Art, June 5th on a Saturday. And we just got the word that you will be ...

Mayor Rojas: Yeah.

Mr. Rodgers: ... (inaudible) so, and we want to invite the Council members as well and we would like to give you free tickets to come see the show.

The dancers from Dancing on the Streets addressed the Mayor and Council.

Ms. Moreno: I have one item. It's going to be two minutes. It's just an update. It was like a last minute thing that came in today, or yesterday, and it's just going to give me, take me a couple minutes. It's just an update on the Pasadera. So as you recall, the Pasadera case, the last time there was a hearing, the judge ruled in favor of the City of South Tucson. And at that point, Pasadera had thirty days to appeal. So what happened since is they opted with their choice to appeal. So I just received an email from Jeff Brei who is representing us in this case, that if Pasadera elected to appeal this case and he also provided, what you have in front of you, which is the last minute entry order from Pasadera on the damages case as well. So basically, in a nutshell, Pasadera intends to appeal the two issues that the trial court ruled against them on the (inaudible) on the non-conforming use. And this is just an update just to let all of you know kind of where we're at with the case. So as

time moves on, Mr. Murray will give you some more information. But at this point, it's just an update to let you know.

Councilman Green: Is this going back to Superior Court or is this going out of the County?

Ms. Moreno: It will have to go to a higher court.

Councilman Green: So it will go to the State.

Ms. Moreno: Right.

Councilman Green: Okay.

Mayor Rojas: Okay. Councilman Green?

Councilman Green: Real quick, are we looking at, you know, can we go back for collection now on attorney fees?

Ms. Moreno: I can ask the attorney.

Councilman Green: Yeah.

Ms. Moreno: I can ask Mr. Murray that question.

Councilman Green: Yeah, 'cause I think we can on this one.

Mayor Rojas: Yeah.

Councilman Green: (Inaudible) reach a proposal.

Mayor Rojas: Yeah. Well, yeah. She'll ask Murray and then we'll propose it on future meeting.

Ms. Moreno: Okay.

Mayor Rojas: Thank you very much. Anything else?

ITEM #08- ADJOURNMENT

Motion by Councilman Green to adjourn the Special Meeting. Seconded by Councilwoman Mendoza. Motion passed unanimously. The meeting adjourned at 7:34 p.m.

Mayor

ATTEST:

Veronica Moreno, City Clerk

CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Special Meeting of the City Council of South Tucson, Arizona, held on the 25th day of May, 2016. I further certify the meeting was duly called and a quorum was present.

Dated this _____ day of _____, 2016.

Veronica Moreno, City Clerk