

Minutes of the Regular Meeting of the Mayor and Council of the City of South Tucson, Arizona, held Monday, July 25, 2016, at 6:00 p.m. at the City of South Tucson Council Chambers, 1601 South 6<sup>th</sup> Avenue, South Tucson, Arizona.

Council Present: Miguel Rojas  
Idelfonso Green  
Robert Larribas  
Herman Lopez  
Vanessa Mendoza  
Anita Romero

Staff Present: Veronica Moreno, Interim City Manager  
Lourdes Aguirre, Finance Director  
Marilyn Chico, Housing Director  
Michael Ford, Police Chief  
Lorenzo Gonzales,  
Mark Raven, City Attorney  
Officer Paul

Mayor Rojas called the meeting to order at 6:00 p.m., and led the Pledge of Allegiance. Councilman Lopez led the Invocation.

ITEM #04 – ROLL CALL – All members of the Council were present, except for Vice-Mayor Patino, who was excused.

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

ITEM #06 – APPROVAL OF MINUTES: NONE AVAILABLE

ITEM #07 – EXECUTIVE SESSION PURSUANT TO A.R.S. SECTION 38-431.03(A)(1)(3)(4)

Ms. Moreno: Mayor, members of the Council, the item on the agenda for Executive Session will be typically hold up until the end of the meeting, but we do have our City Attorney who is defending us on this matter in Phoenix. And he asked if he could be heard, the Executive Session be a teleconference. And I told him that it would not be a problem. So I went ahead and I pushed up this item to the beginning of the agenda.

Mayor Rojas: Okay. I'll entertain a motion that we stop the Regular and move into Executive Session.

Motion by Councilwoman Mendoza to adjourn the Regular Meeting and convene into Executive Session. Seconded by Councilman Green. Motion passed unanimously.

1. WASTE MANAGEMENT OF AZ INC. – ALL LITIGATION PERTAINING TO CASE – C20146328

2. CITY PROSECUTOR AND CITY MAGISTRATE CONTRACT

Mayor Rojas: It is 7:12 now and I'll entertain a motion to convene into Regular Session.

Motion by Councilman Green to adjourn the Executive Session and reconvene into Regular Meeting. Seconded by Councilman Lopez. Motion passed unanimously.

Mayor Rojas: Now for the part to discuss on the second, on the item on Executive Session, the wishes of the Council?

Motion by Councilwoman Mendoza to direct the City Manager to move forward with items discussed in Executive Session. Seconded by Councilman Green. Motion passed unanimously.

ITEM #08 – PUBLIC HEARING AND DISCUSSION ON THE PROPOSED ALTERNATIVE EXPENDITURE LIMITATION (HOME RULE OPTION)

Mayor Rojas: Public Hearing and discussion on the proposed alternative expenditure limitations. This is what is called the Home Rule Option. And Lourdes or City Manager, who it's going to be?

Ms. Moreno: I can open it. Thank you Mayor, members of the Council. Right now is the time that will be set aside for a Public Hearing and to discuss the proposed alternative expenditure limitation which is also known as the Home Rule Option, which sets a limitation to the City's General Fund. And this is an item that will require to be placed on the ballot. So I'll go ahead and let our Finance Director provide you with more background information so that you all are more aware of what the specifics are on this and then we can go ahead and allow anybody in the public, if they have any questions or comments, to (inaudible).

Mayor Rojas: Okay, thank you very much.

Ms. Aguirre: Mayor, members of the Council, as the City Manager mentioned, this would be basically a renewal of the Home Rule ...

Ms. Moreno: I'm sorry, can we stop? Did we make a motion to open the public hearing?

Councilwoman Mendoza: Yes.

Mayor Rojas: Yes.

Ms. Moreno: I'm sorry. Can you guys, I, I didn't get that on my notes.

Councilwoman Mendoza: Green ...

Mayor Rojas: Green.

Councilwoman Mendoza: ... and then ...

Ms. Moreno: Okay. I got Lopez. I did, I did. Sorry about that.

Ms. Aguirre: So basically, this is a renewal, it would constitute a renewal of the Home Rule Option. By law, the State gives jurisdictions that, for whom the voters have not given authority in limit. That's based on population and also inflationary factors. The State Auditor General and the Arizona Department of Administration provide those figures to the individual jurisdictions. I believe it's the last page that you have in front of you. That's the calculations performed to see what the limit would be for the next four years for the city. So it's pretty much capping the budget limit from \$10,000,000 to \$12,000,000, beginning fiscal year '18 through '21. However, after having gone through our numbers and worked on also our financial forecasts for those specific four years, it's been determined and calculated that a more adequate cap for our budget would be anywhere from 12.6 million going up to 13 million, what you see on the first page. And this is really what would be going out in the published publicity pamphlet for your voters to see. So it gives a little bit of cushion for the City to work to provide services.

Councilman Green: Okay. When would we have, or what history do we have that we're forecasting \$13,442,000, whatever, versus the 12 million, 12 and a half million? Do we have a jump in revenue or?

Ms. Aguirre: Yes. Mayor and Councilman Green, yes. In fact, these numbers have been derived from the financial model, which we will be reviewing later on in reports. So pretty much what has been done is a review of fiscal '16's revenues, the budget for '17 as adopted, and then accounting for any inflationary growth factors, based on historic review. So in this case, revenues have applied out through fiscal year '20-'21 to come up with these figures.

Mayor Rojas: And these are the revenues that are currently occurring?

Ms. Aguirre: Yes, Mayor, the base or the starting point, that's what determines it. Based on the current revenues.

Mayor Rojas: And your best estimate is that this will be met, the 13, the 13 million will happen in '20-'21?

Ms. Aguirre: Yes, Mayor, in ...

Mayor Rojas: Okay.

Ms. Aguirre: ... fact, if you were to revert to the old forms that were used during the last election, the levels were actually \$17,000,000. So I think that this is very conservative. It coincidentally is close to the State imposed limit, but it provides a little bit more flexibility.

Mayor Rojas: Questions?

Councilman Green: So basically you're saying that our gross revenue increase in the next four years, if adopted, is going to be over \$1,000,000?

Ms. Aguirre: Mayor and Councilman Green, it may be. What is accounted for in here as well is any grant monies that may come in from federal funds. And you can see the breakdown (inaudible). Actually, it's pretty evenly distributed.

Councilman Green: Okay. So the State would be State-shared revenue?

Ms. Aguirre: That is correct. State-shared revenue ...

Councilman Green: Local would be ...

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

Councilman Green: ... our tax?

Ms. Aguirre: That is correct. And licenses.

Councilman Green: So for '20-'21, we're looking 13 thousand, ...

Mayor Rojas: Thirteen million.

Councilman Green: ... I mean thirteen million, forty-two thousand (inaudible).

Mayor Rojas: Yeah.

Ms. Aguirre: Mayor and Councilman Green, I might also add that this just sets a cap. You can always, you know, end up being below it.

Councilman Green: This is just in case we do get, we can use it, right?

Ms. Aguirre: Correct, Councilman Green. In case you get it, you can use it, but these are the limits in which, by which you are audited at the ...

Councilman Green: Right.

Ms. Aguirre: ... end of every year.

Councilman Green: Okay. So basically, we, and I'm not trying to be, let's say somebody leaves the City of South Tucson five million dollars. We can't use it because (inaudible).

Ms. Aguirre: Basically, yes.

Councilman Green: Okay.

Ms. Moreno: (Inaudible) they spread it out.

(Simultaneous conversation)

Mayor Rojas: Any more questions, discussions on the item agenda number 8, public hearing? Anybody in the audience that would like to ask questions or have any comments, any concerns?

(No response from the audience)

Mayor Rojas: What are the wishes of the Council on item number 8, please?

Councilman Green: Well, one question. This is going before the voters. Do we have the verbiage?

Ms. Aguirre: Mayor, Councilman Green, the verbiage is actually provided by the State, the ...

Mayor Rojas: By the State.

Ms. Aguirre: ... Auditor General. And this is the first of two public hearings.

Mayor Rojas: Wishes of the Council on item number 8? We need to close the Public Hearing. No other comments from the public, I will ...

Councilman Green: I still have one more question. Okay. Is this, during the course of getting from the 12 to 13 revenue generated strictly through local taxes, is that going to be any other taxes that are going to be imposed or, that may be imposed later on that we're calculating into this or?

Ms. Aguirre: Councilman Green, Mayor, to answer that question, it does not specifically imbed any calculation for any additional taxes. However, this is the cap and there is flexibility to move within. This is just an estimate.

Councilman Green: Okay. So basically, we're not looking at raising any taxes to achieve this goal.

Ms. Aguirre: Mayor, Councilman Green, none of the taxes that have been already, I should say presented, none of the options that have been presented, or actually I should say, yes, the options that have been presented for the purpose of balancing fiscal '17, those are included.

Mayor Rojas: Any other questions?

(No questions)

Motion by Councilman Green to close the Public Hearing. Seconded by Councilman Lopez. Motion passed unanimously.

ITEM #09 – RESOLUTION NO. 16-26 OF THE MAYOR AND COUNCIL OF THE CITY OF SOUTH TUCSON, ARIZONA, APPROVING, RATIFYING AND ADOPTING AN INTERGOVERNMENTAL AGREEMENT BETWEEN THE CITY OF SOUTH TUCSON AND PIMA COUNTY, A BODY POLITIC AND CORPORATE OF THE STATE OF ARIZONA TO ACKNOWLEDGE AND COMPLY WITH THE REQUIREMENTS ESTABLISHED BY THE U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT FOR A COOPERATIVE AGREEMENT BETWEEN JURISDICTIONS OF AN URBAN COUNTY

Ms. Moreno: Thank you, Mayor, members of the Council. I will refer to the Finance Director again to review this item.

Ms. Aguirre: Mayor, and members of the Council, this item is the standard process in which we are acknowledging before HUD that we have a working relationship with the County for the administration of funds from the Community Development Block Grant. In the agreement, there are different areas pertaining to normal course of business, term extensions, (inaudible) services (inaudible) goal funding, so on and so forth. So by approving this IGA, with the County, then the County can, in turn, submit this to HUD, continue with their classification as an urban county so that they can continue to receive funding, and continue to work with the City in various projects.

Mayor Rojas: And I was looking, there is no money attached to this agreement I see. There are no costs. So what are the wishes of the Council on item number 9, Resolution 16-26?

Motion by Councilman Green to adopt Resolution No. 16-26. Seconded by Councilman Lopez. Motion passed unanimously.

ITEM #10 – RESOLUTION NO. 16-27 OF THE MAYOR AND COUNCIL OF THE CITY OF SOUTH TUCSON, ARIZONA, APPROVING, RATIFYING, AND ADOPTING THE COMMUNITY DEVELOPMENT BLOCK GRANT – YOUTH AND FAMILY SERVICES FUNDING AGREEMENT BETWEEN THE CITY OF SOUTH TUCSON, ARIZONA AND THE PIO DECIMO CENTER, A NON-PROFIT CORPORATION

Ms. Aguirre: Mayor, members of the Council, this is another contract renewal for Youth Services. There are two separate types of funding for providing these services by Pio Decimo that come through the City of South Tucson. Previously, you had authorized or adopted the agreement for \$113,000. This one right here is for CDBG funds. And it has been written out as an extension. The reason for that is that during last fiscal year, there was additional monies which if unspent or, yeah, if unspent within the next couple of months, this would provide a little bit of flexibility to use that funding throughout the course of the following year. This program runs on federal fiscal year, so it would actually start in October. So that's why you see it as an extension.

Mayor Rojas: Is that the \$125,000 plus the \$100,000?

Ms. Aguirre: Mayor, yes. So the contract for the period of October 15 through September 16 was for \$125,000. And for the period from this upcoming October '16 through September of next year, is \$100,000.

Councilman Green: So we took a \$25,000 drop.

Ms. Aguirre: At this point, Councilman Green, we are yet to receive some of the invoices. They have until the end of September to use up the additional \$25,000. But if any money were to be left on the table, I know that they are also looking for additional funding all the time to provide service to the kids. So this would just give us a little bit of room to ...

Councilman Green: (Inaudible) ...

Ms. Aguirre: ... allow them to ...

Councilman Green: ... end of next year.

Ms. Aguirre: ... use it, yes. And I know this question has come up in the past, and Ms. Gloria Hamlett came to the last meeting and provided a really good report, what is actually funded through these monies are child care as well as after school programs for younger kids. The other funding was for ...

Mayor Rojas: The older kids.

Ms. Aguirre: ... (inaudible).

Mayor Rojas: The wishes of the council on item number 10, Resolution No. 16-27, please?

Motion by Councilman Green to adopt Resolution No. 16-27, resolution of the Mayor and Council, with Pio Decimo, for continuing service to the John Valenzuela Youth Center. Seconded by Councilman Lopez. Motion passed unanimously.

ITEM #11– RESOLUTION NO. 16-28 OF THE MAYOR AND COUNCIL OF THE CITY OF SOUTH TUCSON, ARIZONA, APPROVING, RATIFYING, AND ADOPTING THE INTERGOVERNMENTAL AGREEMENT BETWEEN THE CITY OF SOUTH TUCSON, ARIZONA, AND PIMA COUNTY RELATED TO PAYMENT FOR THE INCARCERATION OF MUNICIPAL PRISONERS, AUTHORIZING THE MAYOR OF THE CITY OF SOUTH TUCSON TO EXECUTE SAID IGA

Ms. Aguirre: Mayor, members of the Council, what you have in front of you is a renewal for the upcoming fiscal year. Actually, this will be retroactive to an effective date of July 1. We had just received the final IGA from the Pima County Sheriff's Department. There are no changes to it. It's a straight renewal. The rates continue the same, as well as the terms.

Mayor Rojas: Thank you. Any questions? How much is this going to cost us, Chief?

Chief Ford: That depends on how much we use the service.

Councilman Green: Use it as often as you like.

Ms. Moreno: I'd like to just make a comment, you know, regarding this item in general. I know that there's been like a lot of discussion over the years regarding the cost that we pay to Pima County for the incarceration of municipal prisoners. And both the Finance Director and the Chief and I have kind of been brainstorming over the course of the year to what other, if any, areas can we take advantage of that other jurisdictions have already done with regard to the incarceration of prisoners. So we're going to start to proactively start looking at some other creative ways that the City can look at so that there can be some cost-saving measures. And also, there has been some discussion that both Lourdes and I were present at one of the Board of Supervisors meetings where one of the supervisors mentioned that they'd like to continue the conversation with what the City of South Tucson can possibly (inaudible) share cost with Pima County. Because they realize that a lot of those that are incarcerated are truly not residents of South Tucson. They are passer-bys and we provide a lot of services here in our small little one-square mile City that kind of attract that population. And they're all general delivery. And, you know, the police department is tasked with having to make sure that the streets are clean and things like that and they have some really creative ways what they do to make sure that they don't get those monthly bills up too high. So we're strategizing still with the Chief and both Lourdes and myself to see what we can do to try to keep the cost low, but still make sure that we keep the streets clean and free of what we see out there in the public. So I'd just like to point that out to Mayor and Council.

Mayor Rojas: Thank you. Okay.

Councilman Green: Excuse me. Is there any rule why we need to incarcerate 'em in the County? Is, you know, I know that the City was looking at incarcerating 'em in ...

Mayor Rojas: Nogales.

Councilman Green: ... Eloy or ...

Mayor Rojas: Nogales.

Councilman Green: ... Nogales or somewhere other than here?

Ms. Moreno: Right.

Councilman Green: I mean is there a constitutional violation that we would do if we sent somebody to Nogales?

Ms. Moreno: As a matter of fact, Councilman Green, that's part of, well, what we've kind of been, Lourdes has been researching with that jurisdiction to see kind of how they do it. And if we could piggyback on that module or even piggyback on the coop agreement that they have between that jurisdiction and the other jurisdiction that provides that service. We're going to see if it's a true cost-savings and if we can, we'll bring it back to Council and see, for consideration.

Councilman Green: Yeah, because, and thank you. And I understand that we're looking at the reservation.

Ms. Moreno: That was something. We'll bring ...

Councilman Green: I mean was that something that was ...

Ms. Moreno: It kind of ...

Councilman Green: ... fed to us, or?

Ms. Moreno: It was something that was, I think that previously with the former Manager or maybe two Managers ago, I'm not even really sure at this point, but I know that that was something that was a consideration. But I think after further research, it was not going to be cost beneficial so it kind of just, it just never went any further beyond that. Or I'm not sure, Chief, (inaudible) conversation?

Chief Ford: Yeah, (inaudible).

Ms. Moreno: Okay. Is that correct?

Chief Ford: Yes, yes. That's (inaudible).

Ms. Moreno: Okay. So, but we will certainly look into ...

Councilman Green: Did you get some numbers?

Ms. Moreno: With regard to the other ...

Councilman Green: Yeah,...

Ms. Moreno: ... option?

Councilman Green: ... the ones for option in Nogales, the one that was presented there.

Ms. Moreno: Right. That's what we're going to do.

Councilman Green: Eloy or whatever else, yeah.

Ms. Moreno: We'll certainly do that.

Councilwoman Mendoza: Excuse me, Mayor. Can we also include in there like time away that someone's going to have to spend taking these prisoners or detainees to Nogales and then whether or not we would have to consider a new position for that special task, whether or not we would house them here until, you know, we have a couple or are we just going to be spending gas on sending one detainee there, or whether we're going to, you know, so if we can kind of include all of that because those would be my questions.

Ms. Moreno: Definitely. We will take all those factors into consideration so that when we bring it back to you, we will have all that for you.

Councilman Larribas: I have a question. On here, under Financing, where it says the City shall pay a first payment of \$299.53. And then per day to have them placed in jail, that's a ...

Councilwoman Mendoza: It's for the first day.

Councilman Larribas: ... ninety-eight, \$89.02, is that per day, even if they're in there for like a year or something like that? Do we have to pay every day?

Ms. Aguirre: Mayor and Councilman Larribas, that is correct. Yes, so your first, just like it states here, your first day is \$299, and then every day after that, it's \$89 a day.

Councilman Larribas: And that's what the City has to pay to have them there?

Ms. Aguirre: That is correct.

Councilman Larribas: How, how, ...

Mayor Rojas: Anybody.

Councilman Larribas: ... how does the City make back any kind of the money off that? It's kind of look like it takes a lot. I mean if the City pays and everybody pays, it's taxed to the people, right?

Mayor Rojas: Mm hm.

Councilman Larribas: You know, that's one thing I don't get is how.

Councilman Green: And, I mean ...

Mayor Rojas: Well, let me just make a little interjection on a little (inaudible). Nowadays, prisoners pay to be in prison.

Councilman Larribas: Okay. I know that.

Mayor Rojas: They pay, I think it's \$68 or \$78 a day, and if they don't pay at the end of their term, say they're there for years, and if they end up missing a payment or they didn't pay, you know, a week or something, I think they either get some other type of a fee put on top of their charge.

Councilman Larribas: So they're paying what? We still have to ...

Mayor Rojas: They pay to stay there. And we, maybe, I don't know if it's \$89 but they pay some of the amount, and then whatever they don't pay, the entity pays.

Councilwoman Mendoza: Mr. Mayor, excuse me, sorry, Mr. Green, this may have completely gone over my head throughout many, many years, but when you said if they're in there a year, we'd have to pay for them.

Mayor Rojas: Mm hm.

Councilwoman Mendoza: Once they go to trial and are sentenced, isn't that a separate, or the City continues to pay \$89 for that whole year that they're, they were sentenced for their, I mean that would, would not make sense to me and did I miss something there?

Ms. Aguirre: Mayor and Councilwoman Mendoza, I'll be honest, I am not the expert in this at all. The most involved I've been with this is looking at the agreement and at the billing. But we could certainly, I've never seen someone stay that long.

Councilwoman Mendoza: Right.

Councilman Green: Well, ...

Ms. Aguirre: (Inaudible) the bill. I'm assuming something like that what you mentioned would have to occur. But we can certainly, I think those are questions that we could direct towards, or at the judge. I think he would probably know the answer.

Councilman Green: Well, one of the things is that if they're going for a year, they're going to go up for a felony so we're not even going to ...

Mayor Rojas: Yeah.

Councilman Green: ... try 'em. Okay. We're not even going to try 'em for that. The time that they're held on detention and they come before the Magistrate here and it's deemed that it is a case that will be turned up to a felony, then at that point, they're turned over to the County. And the County will assume the responsibility of doing it so the liability is, the other thing is, yeah, the monies that we're looking at should be imposed or, you know, on the individual at the end of the trial, or at the end of, or when they plea, if they plea out, you know, they have to pay the jail bill. That has to be court-ordered. If it's not court-ordered, we're not going to get any money on it. So the judge literally has to say, "Mr. so and so, you pleaded guilty. But you spent one day in jail. I'm going to charge you the \$276 that it cost us to incarcerate you. You're going to pay for the processing fees for the jail and everything else." Those are the things that, you know, that we need as a judge, or as a court, need to be more in tune to.

Mayor Rojas: Yeah.

Councilman Green: And, instead of, you know, and then provide any services that they need. If they need to go to Simpatico and they need to go to wherever, that's great. But, you know, those things need to be imposed and implemented by the courts. Thank you.

Mayor Rojas: Okay. For the resolution no. 11. Did we finish that one? Your wishes?

Motion by Councilwoman Mendoza to approve Resolution No. 16-28. Seconded by Councilman Larribas. Motion passed unanimously.

ITEM #12 - RESOLUTION NO. 16-29 OF THE CITY COUNCIL OF THE CITY OF SOUTH TUCSON, ARIZONA, APPROVING AND RATIFYING MODIFICATIONS TO THE INTERGOVERNMENTAL AGREEMENT BETWEEN THE STATE OF ARIZONA (DEPARTMENT OF REVENUE) AND THE CITY OF SOUTH TUCSON, ARIZONA, ADOPTED JUNE 22, 2015

Ms. Aguirre: Mayor and members of the Council, you may recall around this same time, or actually back in June, you all approved an IGA with the Arizona Department of Revenue. They have established what they call a Cities Unit. And so that department is in charge of collecting all the monies, holding any communication with the jurisdictions, as well as with the taxpayers, kind of facilitate the whole process of collection and reporting back to the jurisdictions. They went through a process at the Department of Revenue for what they call TPT Simplification. And so that's what they've been working on this last year. So, if you look at, I believe it's the second page, Exhibit A, these are just some adjustments that are being made to the current IGA. And they cover adjustments to reported taxes, taxpayer rulings and uniformity, finance and collection of taxes, and automatic renewal, so we wouldn't be coming back to you all for renewal because it would be automatic. And that's relating to Section 4 and 5. So these are all just changes to their IGA in all jurisdictions to approve the normal administrative function that they perform for all cities.

Councilman Green: And this is strictly privilege tax, right?

Mayor Rojas: Yeah.

Ms. Aguirre: Yes.

Mayor Rojas: On item 12, Resolution 16-29, what are the wishes of the Council?

Councilwoman Mendoza: Mr. Mayor, I have a question, if that's okay. Finance Director Lourdes, would this new, I guess, department or whatever that they initiated that would be handling stuff like if secondary taxes were imposed, like City taxes, is that the City taxes that you're referring to, or, to make sure the uniformity of that in?

Ms. Aguirre: No. Mayor and Councilwoman Mendoza, this pertains only to transaction privilege tax.

Mayor Rojas: Rentals.

Ms. Aguirre: So the City sales tax or tax imposed by businesses.

Councilwoman Mendoza: Okay. So the ...

Ms. Aguirre: For the entity.

Councilwoman Mendoza: Okay. Okay. Thank you.

Motion by Councilwoman Mendoza to approve Resolution No. 16-29. Seconded by Councilman Lopez. Motion passed unanimously.

### ITEM #13 – REPORTS

Ms. Moreno: Thank you Mayor, members of the Council. The next two items under Reports will be from our Finance Director Lourdes and I do have a third item. Lastly, it's going to be from our City Attorney (inaudible) which is the Municipal Property Corporation.

#### 1. FINANCE – PRELIMINARY/UNAUDITED FISCAL YEAR END 2016 & 5-YEAR FINANCIAL MODEL

Ms. Aguirre: So we're now 25 days into the new fiscal year and the Finance Department has had a little bit of time to go through, look at the numbers for fiscal year '16 and start the closing process on the books. So what I bring to you here is the preliminary unaudited financial report of revenues and expenditures. So I will give you a quick rundown. Revenues, we came in about 7% below the mark. The good thing is that on the expenses, if you look down below, it's just about that much as well. So at this point, although it's preliminary and unaudited, I feel very happy to say that this will be the first year in a few years that we're going to have, you see down there it says the net surplus or deficit, a marginal deficit of \$21,000. It was close to \$300,000 in fiscal '14, and fiscal '15, it was \$160,000. And this year, \$21,000 deficit. But that's not including the proceeds from the sale of the library. What could be applied towards these fiscal '16 numbers from the sale of the library, and this is just from what's posted on there for month-to-month services, incarceration, and Animal Control, it's \$191,000, bringing the net balance of fiscal '16 to a revised surplus of \$169,000. You can tell over here on the column to the far right shows how every single department did an excellent job of managing their budget. I really commend them for that. And I really appreciate everything that they did. Everything that was done this last fiscal year is almost like it had to be done. Even though the revenues may have been, you know, on the high side, and we knew it wasn't going to materialize but everybody did an excellent job. And you see the effects here. So everything that needed to be done was done. And it included a lot of management, both from City Manager's level, my level, and every single department head as well.

Mayor Rojas: Okay. Great job. Thanks a lot, Lourdes. Appreciate it.

Ms. Moreno: I'd like to just chime in and say, you know, if you recall at the end of this fiscal year a lot of things were happening. We had one Manager come in. I came in as Interim. And we had a budget that was adopted with a lot of line items in there that we could see as being further into that year were not going to materialize. So that's when we started to come to Council and we started showing that fact, so we had to work really close with our departments and make sure that they stayed beneath those amounts in order for us to have at least somewhat of a balanced budget, not knowing what was going to come in. Because the numbers were somewhat, I think, exaggerated, and sometimes, you know, I think, you know, when you, you want to be a little bit conservative when you look at potential revenue come in, but it didn't come even close to near what those numbers

looked like when, the adopted numbers. So here we are at fiscal year end and taking into consideration a lot of things that have happened in this year, when you start with, you know, not having any services for our solid waste and then a lot of these matters that came in on the legal side and they're still pending litigation, but if you factor there's a lot of things that happened over the course of this fiscal year, I think that it's testimony, again, to our Finance Department and to our departments and our staff. And it wasn't easy. You know what? Having to keep those controls in place. It was really hard and I'm sure that a lot of those that have sacrificed (inaudible) but at the end, going into this fiscal year, there was no redemption with anyone's salaries, everyone was kept whole, you know, with insurance, with salary and things like that. So I just, I think that overall, thanks to you, Mayor and Council, for allowing us to move forward with those recommendations that we had before you during the course of that fiscal year. Thank you all.

Mayor Rojas: Thank you.

Ms. Aguirre: Mayor and members of the Council, if you turn over to the reverse side of that same report, it shows you basically how the sale of that asset, the library, would be distributed. So the sale value is \$450,000. And so you see for each fiscal year how it would break down.

Mayor Rojas: Great. Any questions on agenda item number 12?

Councilwoman Mendoza: Mr. Mayor, the second sheet that we have, is just a forecast of the next five years?

Ms. Aguirre: Yes, Councilwoman, we'll (inaudible) into that. This is the first item. If nobody has any questions on it, then we can continue. So now, going onto the financial forecast, back in March you may recall we had a very sensitive meeting with a group of financial advisors. And actually, going back to sometime in December and January, you all provided the Manager and myself authorization to contract with this financial advisor. So after having done that, we met around March and what was put together was a financial model that really accounted for all of our expenditures. And it plotted it out for the next four years, ending in fiscal '20-'21, and it was based on the growth factors that we had seen historically, both in our fixed costs and operational costs. So we took all of those into consideration. At that point, there was a deficit, a cumulative deficit of 2.8 million dollars. And I don't know if in your files you have that presentation that I had provided at that point, but that's basically what it said, 2.8 million dollars. So now, fast forward four months, and what has been done is we've incorporated now a true picture of where we're ending up in '16. The numbers for our adopted budget in fiscal '17, and we've also applied those growth factors for all these different types of revenue and expenditure line items going forward all the way to '20-'21. But you can see here is that there still is a cumulative deficit of \$1,000,000 at the end of fiscal year '20-'21. Even after having embedded the text in blue. So if you look at the top, the sales tax increases, this is the one that we were provided direction with from you all, authorization, the sales tax increase option four. Okay? So those numbers are embedded here. Then the one below, is the occupational fee increase. That was option 7. So, that one was basically to bring the fees for those service type businesses up to speed with the times because they hadn't changed in over 30 years. Okay. So, after having done that, the other section in blue at the bottom is accounting for the, a combination of salary and benefits that the City will have to absorb after the cost grant is done. So that's included in here through fiscal '20-'21. Other things I should draw your attention to are at the very bottom of the expenditures. At the very

bottom, you see a line item for police vehicles. And you also see police fuel expense. These numbers have been also incorporated into this model. Because as you probably have already seen in the reports I've provided, the RICO reports, the funds really are not there. And it's a little unpredictable as to when they will become available, but I think that this will give the opportunity for that particular fund to start to grow. And the City's General Fund to start taking back the obligation of the vehicle leases and fuel expense. With that said, everything else in this model is status quo. Other than, you know, a slight or conservative increase. I believe it was like 1.5% for sales tax a year. Nothing really out of the ordinary. Very conservative. Same thing with our salaries and our personnel. This is assuming that we continue to operate the same way, with the same level of staffing that is currently embedded into this year's budget. All positions filled. That's incorporated as well. So, cumulative deficit by the end of fiscal '20-'21, of \$1,000,000. This, we brought to your attention because sometime in April there will be an opportunity to refinance our bonds, you may recall. The process has to begin in January. That's why when we met in March, we began the discussion of, okay, what can be done? Are there revenue enhancing options that Mayor and Council can consider, or cuts? At this point, what's been presented for your consideration has been revenue enhancing options, and as the City Manager already mentioned, with the intent of keeping employees and services whole. There was still the need to establish a deficit elimination plan. That is needed to be able to balance this financial model so that at the point when the financial advisors go out to find investors that will be interested in refinancing our bond, investors can feel secure that the City of South Tucson has proper management in place and is trying to work to become sustainable. So, if you turn to the back side, on page 2, the first top rows are basically just a balance forward of page 1. What you see there are pending items in the second section. Those pending items that are being accounted for are the money that will be generated to offset services and the jail settlement from the sale of the library. Now the reason why you don't see any more there, other than the \$191,000, is because in the Finance Department we haven't really recorded on the books the payment that was due in fiscal year for the jail settlement. That was a flat \$106,000. That one will be washed out automatically. The other amount, this \$191,000, as you recall from this report here, that's going towards normal month-to-month services. And you can actually see the breakdown here.

Councilman Green: Can you go back and explain about the \$106,000 and wash? How, it hasn't been recorded on the books?

Ms. Aguirre: No. Mayor and Councilman Green, it has not. And I anticipate that once the sale of the library goes through, it will all be recorded as one transaction offsetting each other. That will be recorded ...

Councilman Green: So ...

Ms. Aguirre: ... with a credit as well.

Councilman Green: So that will just bring the \$106,000 with the current year and we'll take both off. Is that?

Ms. Aguirre: That is correct. Yes.

Councilman Green: Okay. Now I understand.

Ms. Aguirre: Yes. And for that reason, that is why in fiscal '17, in this middle section here, you'll see a box there that's empty. That's because I didn't incorporate it in the budget for '17. The transaction is going to wash it out. And by the time when I was working on the budget, I anticipated this, the whole transaction being resolved.

Councilman Green: So we're looking at \$296,420, roughly, in payment?

Ms. Aguirre: I'm sorry?

Councilman Green: Well, you have in FY16 you have \$191,000 ...

Mayor Rojas: Four twenty.

Councilman Green: ... four twenty.

Ms. Aguirre: Yes, Councilman.

Councilman Green: Plus the hundred and six.

Ms. Aguirre: So ...

Councilman Green: Then you add onto it, so the payment when we do get it, is going to be \$297,420?

Ms. Aguirre: Yes, that is correct.

Councilman Green: Okay.

Ms. Aguirre: That is correct. Yes. So you see there, another item that is pending is that through the school transaction, we hope to be able to also work out an agreement where the annual payment gets reduced for that old jail settlement from \$106,000 to somewhere around \$40,000 or \$45,000. So, a savings of \$60,000, that's what you see on that next line. Savings. And, of course, if the City can show that it has implemented a deficit elimination strategy, then the City can also take advantage of the savings coming from the bond refinance. If you may recall, this was the binder that was provided by the financial advisors. And what you see there is exactly that. They provided, I believe, two different alternatives. The first one showing savings of \$300,000 the first year. So, that would actually benefit the City by June of 2017. Also, \$229,000 savings the following fiscal year and then in fiscal '19, \$228,000, for a total of \$770,000. That is what the City stands to save from this whole transaction. I know that there was also a question brought to my attention about the potential cost. And that's also included here. The financial advisor has disclosed all that information as well. And so that's included on page 18 if you'd like to reference that on cost-related, to their service.

Councilman Green: Can you just tell us what it is?

Ms. Aguirre: \$162,000, which is about 1%. It's typical of those types of transactions. For a bond transaction of 7.9 million. So the City stands to gain more than \$700,000. They charge \$162,000. And also, I think there was another section here indicating other savings from this whole transaction, after being able to reduce the rate.

Councilwoman Mendoza: Mr. Mayor, and if I recall, that fee that they charge the City is embedded in there, so ...

Mayor Rojas: Cost.

Councilwoman Mendoza: ... that's not, that's not a payment that the City has to make up front in order for them to do this.

Ms. Aguirre: No. Mayor and Councilwoman Mendoza, that is correct. They just advise on their report how it's broken down.

Councilman Green: And it shortens our liability. I mean our payments, right?

Ms. Moreno: So they only get paid if this happens.

Councilman Green: Right.

Ms. Moreno: (Inaudible) unless this transaction takes place.

Ms. Aguirre: Yes. And, Mayor and Councilman Green, it does shorten the payment for the first 3 years, '17, '18, and '19. But you may also recall that these financial advisors went to, they don't like to make recommendations that might wind up costing a jurisdiction more. So this option would only save us and give us breathing room for three years, without extending the entire bond out, you know, an unreasonable amount of time. In fact, their numbers, the way they worked them out, extended it out only 2 years.

Councilman Green: Yeah, and this is the same bond. Correct me if I'm wrong. From 1982?

Mayor Rojas: Yeah.

Ms. Aguirre: Yes.

Ms. Moreno: So we get 3 years of relief in exchange for an additional 2 years to the overall term.

Ms. Aguirre: Correct.

Councilman Green: Which the savings could actually be used to be put back into the (inaudible) if needed?

Mayor Rojas: It could.

Ms. Aguirre: That is correct. It could be. But the way I've worked it out on this financial plan, is just to show how it could help improve the General Fund.

Mayor Rojas: Yeah, the budget in total.

Ms. Aguirre: So if you notice on the cumulative surplus or deficit down at the bottom, after this has implemented, cumulative surplus of \$164,000 by '20-'21. (Inaudible) reasonable things can change. Rates for some of our services can increase. We may need repairs to the building next year, the year after that. So there are going to be expenditures that we may incur, and may wind up using that up. The City's management will do its best to make sure everything is controlled and operates the way it has this last year. Moving onto the next section, it lists the option in question, and so I should mention that as a part of the budget process that we just went through, Mayor and Council approved option 4. And that contained on option that would go to a vote of the people, increasing the sales tax rate for the activity of residential rental tax, a yes vote to that could potentially yield the City approximately \$700,000 over the course of the next 4 years, ending in fiscal '20-'21. A no vote could be, could def-, possibly be detrimental to this plan and this model. And so actually would mean that the City would have to come back and work on other ideas, maybe expenditure cuts to implement in this deficit elimination plan. I think, from my perspective, I think that a lot has been done on the revenue side at this point. It's been a balancing act. In previous years, it's been cuts to expenses, personnel, services, things like that. But this is a different approach to try and balance things out. With that said, the only place where cuts would probably be made or could be made are in personnel. That's the biggest expense here at the City. Personnel. Okay. So ...

Ms. Moreno: Again, I'd like to just kind of just go over that whole, what Lourdes just went over right now with regard to that residential rental tax being placed on the ballot and how critical it is as part of our 5-year model. So, again, it could be detrimental should this not pass. We would have to look and go back and try to find a way to plug in that gap. And as you can see, I mean in 5 years, that's, you know, pushing \$750,000. So just for year 1, it was \$81,000 because we're starting, it would be implemented halfway into the year. But I think as part of your job as elected officials and to your constituents, I think that working toward a yes vote would work and as part of the City's overall goal to provide services with Public Safety, cleaning the streets, and doing what we do as a City of our size, and provide a full service, you know, we have police, we have fire, and going back to how we brought this forth to Mayor and Council, when you look at other cities and towns that are not even our size, even close to our size, don't even provide the full range of services that we do. Yet, we are able to, with the very limited (inaudible) that we receive. So this is a way to give back to our community with, taking into consideration that these fees have not been increased in over 20 years. So, that will be placed on the ballot. We're working now already to some of the requirements that we need before being placed on the ballot, as far as like, you know, public notification, things like that. And I just want to make sure that the Council fully understands that this is very critical to the City moving forward. I mean not only in 5 years, but after all of us are here and gone, I think that it's going to be beneficial long-term. I've never seen this happen and I've been here a long time, where the Council even takes into consideration with taking something like this to the vote. I think that it's nice to see that the Council is not going to put it back on its employees and make them (inaudible) by cuts. I think that every other city and town does this in America. They look at where can we, you know, charge as far as services and retail and, and taxes like that. And given the time that the City has not increased these, I think it's fair. I think it's fair.

Ms. Aguirre: So Mayor and members of the Council, I would like to also mention that pertaining to this item, there really is no clear guidance or statutory requirement as to whether it has to be posted or not. Because it goes to a vote. It's not like any other increase that Mayor and Council would approve. However, we have determined that it would be in the City's best interest that it follow the same process as the other increases, and it has been posted on the website as well.

Mayor Rojas: Okay.

Ms. Moreno: So in case it's challenged later, if the vote shall pass, then at least we know that we went through the proper steps without any like crystal clear interpretation of what that part of all the posting requirements mentioned. We've gotten, you know, otherwise from our City Attorney as well as another attorney that actually worked on election law, to make sure that this is done properly. And it's not fair as to whether we do or don't have to, but it's not going to hurt us to do it. You know, the public hearing will be done and then we'll still, you know, move forward putting that question on the ballot.

Councilman Green: Mr. Mayor, question on the public meeting. I understand there is no A.R.S. or anything else that it's required to be done. I'm glad to see that it was put on the, you know, that it's, or to hear that it was put on the City face, ...

Mayor Rojas: Face book.

Councilman Green: Okay. One thing that I would like to see is flyers. We put them out for cleanups. We put them out for funeral notices. We put them out for the selection of Chiefs. We put them out for all these other ones. I think that this is something that really needs to go out there and if the individuals don't show up, then they can't say nothing. You know, if we could put and post a little flyer on the fence saying that on Tuesday, August the 1st or whatever, we're going to have a meeting. And it's going to be in regards to the tax situation.

Ms. Moreno: I just want to make a comment to that, and we can certainly accommodate that, Councilman Green. However, I just don't want to pick and choose what we do circulation of public notices for. So if we do this for this one, we're going to have to do it for all of them, every single public notice. And I'll refer to the City Attorney and see if that's something that he would recommend that we do as far as posting notices for public hearings on the fences of our (inaudible).

Mr. Raven: I think it's optional, it's up to the Council.

Ms. Moreno: Should we do this for, would this be something that we should practice for all public hearings? If we do it for one, don't we have to do it for every single one of them?

Mr. Raven: No.

Ms. Moreno: So just this one only?

Mr. Raven: Yeah. It doesn't set a legal precedent.

Ms. Moreno: Okay.

Mr. Raven: We can do it.

Ms. Moreno: Okay.

Councilman Larribas: How many public hearings do we have that it would be, that, you know, you're saying it would have to be for every one of them. How many ...

Ms. Moreno: Well, like for example, ...

Councilman Larribas: ... do we usually have?

Ms. Moreno: ... alternative expenditure limit requires two public hearings, which we just had one this evening, so we still have another one. I just would hate for the community to say why did you do it for that topic and not this topic? Since we already had a first hearing for that one, you know, how, how does the Council determine which one is more important and not the other.

Mayor Rojas: Yeah, I think another comment for Councilman Larribas is some items we are required by law to have open public hearings, meetings. And other items, it's just a choice, ...

Councilman Green: Formality.

Mayor Rojas: ... formality of the Council. What we're looking at here is if we want to do it, then it has to be a decision of us and, and we have to vote on it as that. But on the other items, we can't vote. It's a law. See, so if you're going to have this item on the agenda, you have to have a public notice, public meeting, and open meeting to the public. So some we have a choice, and others we don't have a choice. This one we do have a choice.

Motion by Councilman Green that the Council direct the City Manager to do a public notice either through little flyers that are placed on the property to try to get some information out on the next meeting for this agenda item.

Ms. Moreno: I just don't (inaudible) ...

Mayor Rojas: City Manager, ...

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

Mayor Rojas: ... yeah.

Ms. Moreno: ... Councilman Green, Mayor, are we asking that we have a public notice for this topic only, or for, from here until we continue?

Mayor Rojas: No, just for this item.

Councilman Green: No, just for this one.

Ms. Moreno: Just for this one. Okay. Now I just want to add that because this is going to be placed on the ballot, there will be a publicity pamphlet that will be sent to every single registered voter that will explain what the voting measure is for. Again, this is just, it's a public hearing, which means that people can come and comment. Not necessarily the Council is going to give any feedback or answer any questions. It's just an opportunity to be heard. So this is already something that's going to be on the, ...

Councilman Green: On the ballot.

Ms. Moreno: ... on the ballot.

Councilman Green: Yeah, it's going to be on the information packet that's sent out by Pima County. Understood. But the thing there is that we have to give the opportunity to the residents to come and voice their opinions to us directly. I mean if other cities have three, to four, to five public meetings on raising something as simple as the fees on the bus, I think this is a little bit more important like that, and we need to have, at least try to get the community involved. And I understand what you're saying, but the problem is if they wait until the pamphlet is done, our decision has already been made.

Ms. Moreno: I understand. I understand because this is one of those questions that ...

Mayor Rojas: Yeah, it'll be just for this item this time.

Ms. Moreno: Okay.

Mayor Rojas: So you made a motion.

Councilman Green: Yeah, motion is that ...

Mayor Rojas: Who seconds?

Seconded by Councilman Lopez. Motion passed unanimously.

Councilwoman Mendoza: Mr. Mayor, were we supposed to be voting on that, considering it wasn't on the agenda because I don't think we're allowed to make a motion and vote on something if it wasn't on the agenda to begin with.

Ms. Moreno: That was my next comment. (Inaudible) ...

Councilwoman Mendoza: I could be wrong, but ...

Ms. Moreno: I mean, and it's a procedural thing. I mean I don't think any Council action because it's not a policy. It's just ...

Councilwoman Mendoza: (Inaudible) ...

Ms. Moreno: ... (inaudible) just accommodate...

Councilwoman Mendoza: ... request.

Ms. Moreno: It's just a request from the Council.

(Simultaneous conversation)

Councilman Green: Okay. Let me go ...

(Simultaneous conversation)

Mayor Rojas: Councilman Green will withdraw the motion.

Councilman Green: Let me go ahead and withdraw the motion, and state that we direct, as a policy, for this one only, that we do ...

Mayor Rojas: You gotta ...

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

Mayor Rojas: ... withdraw your second.

Councilman Lopez: (Inaudible). I will also withdraw my second on the motion on this action.

Mayor Rojas: Okay. We'll leave it at that.

Ms. Moreno: So we'll pass out the flyers.

Mayor Rojas: Thank you very much.

Ms. Moreno: Do you have a date? Is there a certain date you want us to do it?

Councilman Green: No, that's at the leisure of the staff.

Ms. Moreno: Okay. Would you like it to coincide with a Council meeting?

Councilman Green: Preferably, yeah.

Mayor Rojas: Yeah.

Ms. Moreno: Lourdes, do you have more information on your presentation?

Ms. Aguirre: Yes. At the very bottom, you'll see possible liabilities. Possible liabilities going up to approximately \$118,000 over the course of 4 years. So you can see the net affect, the cumulative net affect by fiscal (inaudible).

Councilwoman Mendoza: Mr. Mayor, can I ask a question, please? So the residential rental tax that was in the section above this one in the option in question, that price, shall it go through, that price was now brought down. So if, if that's not included and let's say the vote does not pass, then we would be even in more, more ...

Mayor Rojas: Quicksand.

Councilwoman Mendoza: ... deficit because we wouldn't be including the 896, right?

Ms. Aguirre: That is correct, Councilwoman Mendoza. That is why when the interim City Manager was discussing the importance of that item, she mentioned it would be detrimental to this financial plan.

Mayor Rojas: Anything else?

Ms. Aguirre: No, Mayor. That is, that's it.

Councilwoman Mendoza: Mr. Mayor, I just wanted to make sure that you, Lourdes, were aware of how much you're appreciated.

Mayor Rojas: Oh, yeah.

Councilwoman Mendoza: And, I mean, I, you know, if someone is not accustomed to looking at City budget's, I mean, you know this, \$21,000 almost brought me to tears because it's such a small number in comparison to many cities and the way that we've been structured for many years here in South Tucson, with working off a deficit for years and years and years, and having it just accumulate is, getting it down to \$21,000 is just beyond words. You know, and even with the sale of the library, you know, coming forth, it's just, it's unbelievable what you've been able to do in a short amount of time that you've been the Finance Director here. And it saddens me that you want to leave. And we really wish that you would reconsider because we just, there is few and far between people that are as humble and that have as much integrity as you have. So I'm not normally an emotional person, but I think that we are going to lose somebody really good and I really, really hope that you have a little bit of ounce in you that would reconsider leaving because we are going to, it's like finding a needle in a haystack trying to find a replacement for you, so, or even give us some more time. Consider giving us some more time. Because it's just, you've been such a great asset in your Finance Director position to the City that it's just, it's beyond words and, and you have not only talked the talk, but you've walked the walk, and it's so rare to find somebody to do that. So I really, really commend you and the Finance staff and all of the Department Heads here that work so hard to make this budget a realistic one and one that the City can actually work with. So it's just, it's beyond me and I'm sort of lost for words because, you know, it's rare that you run into somebody who can work wonders like you have, so, anyways, I just wanted to commend you on that and your efforts.

Ms. Aguirre: Thank you, Mayor and ...

Mayor Rojas: (Inaudible).

Ms. Aguirre: ... (inaudible) Councilwoman Mendoza. Thank you so much for having bestowed so much confidence in me in allowing me to do my job. I really rely on the staff. They're really great. And so, like I mentioned before, I think that what happened is what needed to happen. Even from the management standpoint, and I really think Veronica, she's been an excellent manager. And just bringing all the recommendations to her and then allowing us to implement, has been a great help. And what you see here is a reflection, not only of the Finance Department and Veronica's efforts, but all of your efforts, too, because I mean you all have had to track along and learn, and learn it, and make educated decisions on the policy, and the direction you all want to move. But thank you so much for your kind words.

Councilwoman Mendoza: You're welcome.

Mayor Rojas: I'll ditto that. Next item.

Ms. Moreno: I missed the first part of what was said because I stepped out. Can I just get like the first piece of it? I'm so sorry.

Councilwoman Mendoza: You want me to remember that?

(Simultaneous conversation)

Councilwoman Mendoza: I just thanked her and commended her for the budget and all the work that she's put through and that I was very, very deeply saddened to hear that she wanted to leave, and hope that she has an ounce in her that wants to reconsider. You know, I don't know that you don't have another job lined up already. I don't know. I haven't talked to you and you can attest to that, but just to lose somebody with, as humble and as, has such integrity is, it's detrimental to the City. You know, she's been a great asset and those type of people are not always the popular kind of people, but they're the type of people that are needed in politics and in City government. You know, and they're very few and far between when they don't have anything personally that they want to gain from it. They just want to do what's right for the City and for the employees, regardless of whether it's the popular decision or not. So thank you for ...

Ms. Moreno: And you're right.

Councilwoman Mendoza: ... (inaudible).

Ms. Moreno: And I want to make some comments, too, because, you know, it's not easy to do, to be tasked with some of these, especially at such challenging times. You know it was hard, really hard for me to not go with a recommendation, especially (inaudible) in this job for, you know, and having been experienced in this realm but something inside my gut told me, you know what, let's go with this. Let's talk to the Council. And let's see if we can get them to buy into what I see as moving the City forward. And to me, I was born and raised in the City of South Tucson and I want the City to move

forward in every way, shape and form. And Lourdes, you know, she has been doing this job now for what, two years, three years? And it's kind of, it did break my heart when I did hear the news about her, you know, looking for another job. And seeing her go, it's going to be hard, but if she did reconsider as you mentioned just now, I mean I would love to continue with the path that we're on. And having her, you know, to me, is very important because she has been very much more involved in me as far as, you know, communicating with whoever she needs to communicate with. She has everything right in front of her. And I definitely want to thank her for everything that she's done because this is not an 8 to 5 job, by no means. You know, we take this home with us. You know, we think about it, you know, it keeps us up at night, but we love what we do. I know that she has a passion for working with these numbers and it's amazing how someone really does like to do that kind of stuff. But I do, I really want to thank her for everything that she's done, you know, and sacrificing her time away from her family in, in helping us move forward. And that path, I think that looking at these numbers and looking at the bottom line, and when I see a surplus, you know, and I want the public to hear, the City of South Tucson has not seen this in a very, very long time. And it's been a real struggle to get us to this point. You know, we had to really manage with our departments to keep, keep in line and I want to thank the police department and the fire department, every department here because we are the lowest paid city in the whole State of Arizona. And people look at us and they tell us, "How do you do it?" I don't know how we do it. But you know what? We do it because we care. We don't want to look at red numbers and have to turn around and tell our staff, "You know what guys? (Inaudible) and we don't want to do that." So I want to thank every single Mayor and Council, and I don't want to get all mushy, but thank you.

(Simultaneous conversation)

Mayor Rojas: Good job.

## 2. SOUTHWEST GAS FRANCHISE AGREEMENT

Ms. Moreno: This is a 25-year agreement that we have with most of our utility companies to give them the right-of-way to our public right-of-way so that they can do their business. And, of course, Southwest Gas is the only utility company that provides gas, so it's not like we can go to any other outside gas provider and say, "Let's try to negotiate what you have." Southwest does work on 25-year agreements to provide the service. The amount that they gave the City is, I'm not sure what the interest, Lourdes will go over that, but we did meet with a representative from Southwest Gas to try to negotiate to possibly increase that amount to see a little bit of more revenue coming into the City, but that was hard for us because the amount, what we receive is basically the same every other city and town gets. We're trying to negotiate something that it wasn't going to happen. So this is another item that will have to be placed on the ballot. That would be the third question on the ballot. So it would be the Alternative Expenditure Limitation question, the residential rental tax, and then this would be the third one. So Lourdes will give more specifics on that.

Ms. Aguirre: Mayor, members of the Council, staff has already been working with the attorneys to identify the appropriate timeline from now until before the election comes up. And the franchise agreement has also been forwarded over for review. So quite a few items have already been worked on so we can come back and present it all to you. The rate is 2%. It's not atypical of a jurisdiction to

have 2%. In fact, most jurisdictions that we sampled have that rate. No, I'm sorry, all jurisdictions have that rate. What we obtain from that rate is about \$14,000 a year. Nonetheless, it is an item that needs to be renewed and it has to be approved by the vote of the people. So once it is determined whether a public hearing is necessary, then, that will be the first step, public hearing, then you all would then approve the resolution. It would go to the vote, and after the vote then you all would reconvene to sign the agreement. It's the very last step. But I would like to let you know that if you are interested in looking at the actual agreement, I can provide you with copies. But it's been provided to the attorney for his review.

Ms. Moreno: And I'd also like to mention that Southwest Gas will be paying for half of our election fees, since they have a question on the ballot. That's part of what they do.

Councilwoman Mendoza: Mr. Mayor, is that contract being renewed for another 25 years or ...

Mayor Rojas: Yeah.

Councilwoman Mendoza: ... what's the length of that one?

Ms. Aguirre: It's 25 ...

Mayor Rojas: Twenty-five years.

Ms. Aguirre: ... years.

Councilwoman Mendoza: That's typical to have that long of ...

Ms. Aguirre: It is.

Councilwoman Mendoza: ... a contract?

Ms. Aguirre: Right.

Ms. Moreno: And it kind of just, it works. It actually works in our favor because we happen to already be having an election coming up so we can through that question in there. Had we not been planning for this election, it would have required a special election just to put that one question on the ballot. So the timing, I think, was good. It will not take effect until, I believe, 2018.

Ms. Aguirre: That is correct.

Ms. Moreno: So we will already have everything ready so that it's good to go come when, as we near the renewal of this agreement.

Ms. Aguirre: City Manager, if I may interject, slight correction. I was thinking fiscal '18, but it's not that, it's kind of close. May 8<sup>th</sup> of 2017.

Ms. Moreno: So we'll already have everything in order for the contract to renew itself.

Mayor Rojas: Okay. Next item.

### 3. MPC – Mark Raven

Ms. Moreno: The last item I have on the agenda is a report from our City Attorney. He will go over some of the items that we discussed previously. We did mention that part of the mechanism to get the sale of the library ...

Mayor Rojas: Complete.

Ms. Moreno: ... to Pima County, we have to have a meeting with our Municipal Property Corporation, which has not met in over 13 years. So there was some questions from the Council regarding that Board.

Mr. Raven: So I wanted to give you some background about what this body is and what it does, and so forth. The purpose of Municipal Property Corporations in general is to help finance the cost of construction projects by issuing tax exempt bonds. By the way, I also have tabs that have the reference material that I'm talking about, and I provided that to you. We're going to get to that in a minute. So they issue tax exempt bonds. The City leases the construction project from the Municipal Property Corporation. And the cash flow from the rent payments is used by the Municipal Property Corporation to pay off the bonds. Does that make sense? They can't pay the bondholders unless they have a source of income. Now the City didn't want to build, okay, I'll get to that. The City of Tucson formed its own MPC, Municipal Property Corporation, in 1984 for exactly that purpose. And one of the things it did was issue bonds to pay for Public Works building, the Library, and some other projects. Okay? The Articles of Incorporation, which I've given you a copy of for your reference, provides that there is a five person Board of Directors, which is elected by you, the governing body of the City of South Tucson. Elected really means appointed. You appoint them. Any vacancy in the Board of the MPC is to be filled by this governing body. And this governing body may remove the Board from office with or without cause at any time, whenever you want. So you are in complete control. The MPC is an affiliate of the City. Basically, it's a creature of the City, like the governing Board. The Board was required to adopt by-laws, and that's something that you asked about, Councilman Green. The by-laws can be amended at any time by the Board of the MPC, but you have to even approve that. So in addition to the right to appoint the Board, remove the Board, whatever you want for any reason or no reason, you also have to approve any by-laws amendments. Now, no by-laws are on file with the Arizona Corporation Commission because the Arizona Corporation Commission forbids you to file by-laws with them. They don't want to see your by-laws. And I provided you with a copy of their filing instructions for corporations, which state "Do not file your by-laws." So we can assume that the MPC had by-laws, but we don't know what they were. And what I'm going to tell you is it doesn't matter what they were because the best thing to do is to have new ones anyway. And as I said, in 1986 to 1988, the MPC was used to build the Sam Lena Library, which you guys are want to sell to the County. So in 2016, you decided to do that to satisfy pre-existing indebtedness to the County. Part of the sales agreement was that Pima County ordered Stewart Title to prepare a title insurance commitment. And that's true any time real property gets sold, there needs to be a title investigation and a title insurance commitment. The County will not buy

it without title insurance. In order to get the title insurance, the report shows what has to be done to complete the sale. These are called requirements. I've given you a tab, tab four, that has all the requirements word for word. Most of them involve the City of South Tucson and the MPC releasing certain things that were recorded against the property over the years. Most of them, you will see, are just leases between South Tucson and the MPC. So it's just stuff that was done basically internally, but it's on the record and needs to be released before the County will buy the library. Now, the City staff has kept the MPC alive even though it has not met, as the City Manager said. And it basically has done nothing, as she said, for 13 years. Is that what you said? And it's a good thing that the City staff did, and that was mentioned in the questions a few weeks ago also, it's a very good thing because this entity is yours whether you like it or not. And it's a party to different contracts and agreements that are a matter of record. So it would not be a good thing if it were to be dissolved. As things stand now, the MPC is not functioning. And it is, therefore, unable to meet the requirements of the title insurance commitment for Pima County. Therefore, in order for the sale to go through, I recommend that you, the governing body, take action to fulfill your responsibilities by reconstituting the Board of the MPC. In order to start with a clean slate, I recommend that you take the following actions; and those involve resolutions by this governing body and followed by resolutions of the new Board of the MPC. So the first thing is you should exercise your power to remove the existing MPC Board members, if any, which you can do at any time for no reason. And I've given you that provision in the copy of the Articles. Then you should appoint 5 new Directors. The only requirement is that they be residents of the City of South Tucson.

Councilman Green: Mr. Mayor, I have a question for the attorney. On the Articles of Incorporation, if we're going to do the by-laws, or change the by-laws to suit the current ...

Mr. Raven: I didn't get to that yet.

Councilman Green: Okay. But going back to the Articles of Incorporation. The statement would be, could we remove the statement from the Articles of Incorporation limiting that only residents of South Tucson? I mean because if we have somebody who wants to volunteer for this Board that lives outside of the City that has the required experience, I think that would be a good thing. May it be a business owner in South Tucson?

Mr. Raven: That would have to be approved by bond counsel and a title company. I think it would be a lot easier to have them be residents of South Tucson. I've looked at, I actually did a lot of research on this. And I looked at other Municipal Property Corporations. Almost every city in the State has them, and I actually gave you a sample of some bonds that were issued in Scottsdale, just to show it works, that we're not special or unique. Everybody has one; Pima County has one, and the Town of Surprise and Paradise Valley, and Scottsdale. Everybody does. And all the ones I've seen have it as residents of the city. However, I'd be, you know, happy to look into it if, if that's the wish of the Mayor and Council. So once you have the 5 new Directors, they should be repeal any prior by-laws. So then you don't need to wonder any more, are there by-laws? Or what are they allowed to do? Or anything like that. Remember, these were never filed to begin with. And they should adopt a new set of by-laws, which are very simple and easy (inaudible). And then, they should release the incomprehensibles that they have on the library, the way the title report requires. And basically, if that all happens, then you fulfilled your responsibilities to have oversight over this entity that was created by the City and you are responsible for it. So I think that as a general matter, even if you weren't selling

the library, it would be a very good idea to appoint a new board, clean the slate, and have this exist because otherwise, it's like a child that is unsupervised. And that is not appropriate in my legal opinion. So any other questions?

Councilman Green: Well, I do. Well, like an unsupervised child, as you mentioned, you know, the trouble that that child may have gotten into, is that going to bring into, any liability into ours if we change, or relieve them of any liabilities?

Mr. Raven: Well, I think it makes it better if you change them and start fresh.

Councilman Green: No, but is it going to ...

Mr. Raven: You can't rewrite history. Now I don't have any reason to believe, based on my research, that they've done anything improper whatsoever. First of all, they haven't done anything for ...

Councilman Green: (Inaudible).

Mr. Raven: ... over 10 years. But even before that because remember, this was all issuing bonds that were approved by bond counsel and bond counsel are very conservative and it had to be vetted by the investment community. The bonds were sold, there were bondholders. They're still outstanding. And so I, it wasn't that there was an oversight at the time that these transactions took place. It's just that Pima County wants the record of that to be clean before they assume ownership. And we can't blame them.

Mayor Rojas: Any other questions.

Mr. Raven: Thank you, Mayor and Council. I know ...

Mayor Rojas: No liability.

Mr. Raven: ... that ...

Councilman Green: Hm?

Mayor Rojas: (Inaudible) no liability. We dissolve it. And it stays over there. Okay. Any other comments?

Ms. Moreno: I'd just like to make a couple comments. The City of South Tucson, as of right now, doesn't own a whole lot of property. There's less than (inaudible) of the properties that we own. It so happens that this building is all attached to the library. And it's tied into the bonds. So we need to, actually, it's part of the overall transaction, we have to get a surveyor to split the property and part of that is to, you know, assign it to Pima County. But moving forward, our hopes are that we can purchase property. That is the whole reason why we're trying to move forward with this deficit elimination plan and get some revenue so that we can eventually start to have some economic development in the City of South Tucson. So, hopefully, and the year's coming, we can meet more with this MPC Board so that we can purchase some property, and clean up some of the properties in South Tucson for development so that we can see more of a surplus coming forward. So that is what

we're working towards. And this is just a tiny piece of it. But we do have, you know, we have a plan so we want to, this is just a little piece of it, so I just wanted to point that out to Mayor and Council. Hopefully, we have many properties that the City of South Tucson owns within the City and outside. So what I plan to do on the next Council agenda, is put the item on the agenda, with your authority, with appointing members to this Board so that ...

Councilman Green: Can you give ...

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

Councilman Green: ... us the, I'm sorry. Can you give us the requirements, if there are any, and training requirements for them?

Ms. Moreno: I think as ...

Councilman Green: Because I keep asking for them but I never get them.

Ms. Moreno: Well, as the attorney mentioned, they will, you know, it consists of 5 residents from the community. I don't know if there is a formal training. Because from what I, I think from what I know of, I think when the Board does need to meet, the attorney is legal counsel to that Board and will explain to them the purpose of the meeting and give recommendations to ...

Councilman Green: Okay.

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

Councilman Green: Those are things that we didn't know.

Ms. Moreno: So, because this is not a Board that meets on a frequent basis, once we appoint the members, the City Attorney and myself will be there so we can educate them as to what their roles are, and what the recommendation is as far as what we know so far, and to give that little piece of the puzzle put away and then we can move forward.

Mayor Rojas: Any other questions ...

Ms. Moreno: I hope we were able to get your questions answered, Councilman Green. It's just that they haven't met in so long we have to do a little bit of digging and ...

Councilman Green: Well, that's most of our Board.

Ms. Moreno: Right. So, and again, (inaudible) ...

Councilman Green: All of our ...

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

Councilman Green: ... Boards.

Mayor Rojas: Yeah, and I have one other, so when we do meet, put this on the agenda and meet, there's two issues that will be coming up. One is that we will be dissolving the current group, whoever the group is, we can use it by name. And then we also have a second item on that agenda that says that we can appoint five members from the community that are by statute or by rules here, residents of the community. Okay. That will be what it looks like. Thank you.

Mr. Raven: And I might mention that there will also be, this is to clean up the title. But there will also be a closing. There will be the actual transfer and you'll need to sign the deed over to Pima County. But that's ...

Mayor Rojas: Coming ...

Mr. Raven: ... (inaudible).

Mayor Rojas: ... (inaudible) after the, ...

Ms. Moreno: That's all ...

Mayor Rojas: ... okay.

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

Mr. Raven: that's the next step.

Ms. Moreno: We basically have most of that information prepared for you. We just need to get this part so that we can bring it to the Council at a future meeting.

#### ITEM #14 - ADJOURNMENT

Motion by Councilman Green to adjourn the Regular Meeting. Seconded by Councilman Lopez. Motion passed unanimously. The meeting adjourned at 8:50 p.m.

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Mayor

ATTEST:

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Veronica Moreno, City Clerk

CERTIFICATION

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

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2016.

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Veronica Moreno, City Clerk