

Minutes of the Regular Meeting of the Mayor and Council of the City of South Tucson, Arizona, held Monday, March 13, 2017, at 6:00 p.m. at the City of South Tucson Council Chambers, 1601 South 6th Avenue, South Tucson, Arizona.

Council Present: Idelfonso Green
Vanessa Mendoza
Rufino Cantu
Robert Larribas
Anita Romero
Carlos Romo

Staff Present: Sixto Molina, City Manager
Veronica Moreno, City Clerk
Lourdes Aguirre, Finance Director
Michael Ford, Police Chief
Marilyn Chico, Housing Director
Joel Gastelum, Planning Director
Angel Lopez, Public Works Director
Cory Lakosky, Captain
Bobby Yu, City Attorney

Mayor Green called the meeting to order at 6:00 p.m., and led the Pledge of Allegiance. There was no Invocation.

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

ITEM #05 – CALL TO THE AUDIENCE

(No response from the audience)

ITEM #06 – APPROVAL OF MINUTES: REGULAR MEETING OF FEBRUARY 27, 2017

Motion by Vice-Mayor Mendoza to approve the minutes of the Regular Meeting of February 27, 2017. Seconded by Councilman Larribas. Motion passed unanimously.

ITEM #07 – STUDY SESSION: INTRODUCTION TO THE BUDGET & GENERAL FUND OVERVIEW

Motion by Vice-Mayor Mendoza to enter into Study Session. Seconded by Councilman Cantu. Motion passed unanimously.

Ms. Aguirre: Good evening, Mayor, members of the Council. Thank you for being here. So what we're going to be talking about today is a very general introduction into the budget, pretty much letting you know how we read it, what makes it up, what the last couple of years look like, what it looks like

this year, and some challenges we may face next year. If at any point any of you have any questions, feel free to stop me. I'm open to answering any questions. And if, for any reason it may require a little more research on my part, then I will let you know and certainly bring that information back to you at the next Council meeting. Some of the things that we're going to be talking about today are going to be just a basic, basic budget structure, and definitions on some of the words that we use most frequently during the budget process. We're also going to talk about the timeline, which a lot of times is guided by State statutes that we have to comply with, as well as the planning. During the portion that we're going to be talking about, the General Fund overview, we're going to do a little overview, very brief, on the history. Then we're going to look at this year, where we were at mid-year in December, and then look at the challenges for next year. So first, let's start off with the basic budget structure. So basically, we've got revenues, which is money coming in, and we've got our expenditures, which is money going out. The difference of the two either gives you a surplus or a deficit. So what does surplus and deficit mean? Well, a surplus is when you have excess money either because there was savings in your expenditures, or there was extra revenue that came in. That helps you improve cash flow. So this extra money can then be used to pay off debt, or bills, or create a reserve in savings. A deficit, on the other hand, is a lack of money. So any time you end a fiscal year in a deficit, okay, in red, then that means it's representative of unpaid bills. So let's say last year we ended in a deficit of \$20,000 or so. Then that means there was \$20,000 worth in bills that did not get paid because there wasn't enough money. Now going onto some basic budget definitions. You've got two different types of budget here. You have your General Fund, and so what comes into your General Fund is any money that's generated by the City. Or provided by the State. So Mayor and Council, you set the rates for sales tax, for fees, you approve those, and then the State also provides certain revenues. Restricted budgets are budgets that are provided by grant funds, but they can only be used for specific reasons, for specific purposes. And it cannot be used for anything else. So, in a lot of these instances, restricted budgets help supplement, or enhance, the operations of the City. For example, you have a restricted budget of about \$4,000,000. Half of that is from Housing, so the City gets federal funding in the amount of about \$2,000,000 for Housing. We cannot use that for General Fund city operations. But it's helping to enhance the type of services the City provides. So those are your two different types of budgets. You have a general and a restricted. They do not intertwine, but one helps the other. Then another word we use is baseline. So when we start the budget process, we start off with a baseline budget. So what that is is taking the current budget the way it was adopted by Mayor and Council, with the expenditures and the staffing level for the fiscal year, assuming that they're all going to be going into the next year. And we see what that difference is going to be. That's what the baseline is. It's just a starting point. When you talk about status quo, we're talking about the actual levels that you saw come in, either in revenues or expenditures. Supplement, to supplement means to add to. So when we say the restricted funds, when we said up here that they help supplement or enhance City operations, that's what they're doing. They're helping the City out. On the flip side, the word supplant means to substitute. And to do this is wrong and not a practice of the City. For instance, you cannot use HURF funds, okay, because HURF (Highway User Revenue Funds) are only for streets and you cannot use those funds to pay for a police vehicle that would otherwise be paid by the General Fund. So that's what it means. You cannot substitute. When the General Fund has money available, you cannot do that. So let's go on to the budget process. And I've broken it down into maybe about five pretty basic steps. So, we start off, first of all, with steps 1 and 2. That's the baseline. So we have the starting point, which is the current budget the way it was adopted by Mayor and Council. And we calculate what is was going into the following year because we want to see what the impact is of any trend in revenues coming in lower or higher, or vice-versa, with expenditures. If expenditures are coming in

higher, well then what is it going to mean the following year? Again, when you end in a surplus, that a good thing because that means that maybe you can increase. And this is looking at the following year, the budget for the following year. You see maybe you can increase services for that year, maybe you can pay off some bills, maybe you can create a reserve or some savings. When you end in a deficit, that's bad because that means that there is not enough money to cover your expenses. And so any necessary measures may include increasing revenues by taxes or fees. You all, as Mayor and Council, are the ones that authorize or deny the increase of any of that. You also authorize whether any specific fee has to go out to a vote and you authorize that being placed on the ballot. If one of the measures is to decrease expenditures, then you also, through the approval of the budget, approve that. And it may be a combination of both, or one or the other. It's whatever the Mayor and the Council decide. So it's during this process in which the Manager and staff really engage with you all in answering any questions you might have, gathering any input from you, what it is that maybe you would like to see, or any ideas that you might have. So we take all that information and then work on step 2, which is preparing a menu of options. A menu of options, because remember, the goal is always to have a balanced budget. It's actually required by the Auditor General. I don't know for some of you that were here last year, the years before, there's actual forms that the Auditor General requires we fill out. They mirror our basic budget, and those get submitted. But it has to be balanced. Again, there is a timeline that we have to follow for adopting the budget and so we will do our best to communicate that in the following ways. So step 3 calls for direction through the Mayor and the Council. Once a menu of possible options is presented to you all as a means to balance the budget, then Mayor and Council provide the direction. They say what it is that they approve of or do not approve of, again, as a means to balance the budget. And so it is very crucial to follow this to ensure that we're following all this in a timely fashion only because the requirements from the State are very stringent as well as the requirements to implement any changes you would like to see. In the past when we've increased the sales tax rates, there is actual requirements, according to statute that we have to follow, a certain amount of days to post and implement on our side and then on the State side. The same thing goes to State, you know, if Mayor and Council were to approve the way in which any operations are provided, so the implementation is also taken into consideration for that. To allow for timely implementation, so the City doesn't spend excess money in the following budget year. Are there any questions?

Councilman Larribas: Not on that, but if we go back to the restricted budget. When you say that half always goes to Housing, is that the way it is? So if Housing only needs \$2,000,000 and the City needs \$4,000,000 to run, it doesn't work that way?

Ms. Aguirre: Mayor, Councilman Larribas, that's based on the Housing Authority's needs. And however many people they're actually taking into the program and approved. The Housing Authority actually goes through a process of establishing their own limits with the federal government, if I'm not mistaken, Marilyn. And so Ms. Chico goes through that process and kind of at the same time when we're coming to you with the General Fund budget, Ms. Chico is also bringing to you her report with her budget. But that's all entirely up to the federal government, in line with your program level, the number of people in the program.

Councilman Larribas: Okay. So, my question is, is it always half or?

Vice-Mayor Mendoza: No, that was just an example she provided.

Ms. Aguirre: Yes, Mayor, Councilman Larribas, that's an example. It was close to the \$2,000,000 this last year, but that's always up to them. And it does fluctuate a little bit. Again, according to the amount of program participants.

Councilman Larribas: Thank you.

Ms. Aguirre: Thank you. So then the last two steps, after having gone through steps 1, 2, and 3, and keep in mind this might take a little bit of back and forth where the Manager and staff comes to Mayor and Council, provides some options. Mayor and Council gives feedback. Then we go back to the drawing table if Mayor and Council didn't like what was approved. But we're always keeping in mind that there is a timeline that we have to stick to.

Mayor Green: And what are those?

Ms. Aguirre: Those, we're going to see on the next ...

Mayor Green: Okay.

Ms. Aguirre: ... sheet. Okay. So there is step 4 and 5 for adoption of the tentative budget and then the adoption of the final budget. So here is your timeline. I know it's really small and you might not be able to see it really well, but on your printout you can probably make out, around, on this section here, okay, sorry about that. All right. So, up here at the top, you will see we're pretty much in line with starting the process. As a matter of fact, we're a little early this year. In previous years we've started beginning of April, now we're mid-March so we're a little early. And I've provided here, pretty much, an estimate of where we might see certain stages come through. The table below, lines 9 through 12, give you a timeline so that in the event you all would want to implement any sales tax increases, license fees, anything like that, this tells you, pretty much, by when you need to approve them in order to implement by the dates specified. The bottom two tables show you the timeline for adopting the tentative budget. The tentative is like the, because we can refer to it as the draft budget. So you pretty much adopt the tentative, or draft, budget. You post it in a newspaper for two consecutive weeks and then you have a public hearing, and then you adopt the budget. And all the statutes are listed in here that indicate that timeline. So, for this year, the adoption of the tentative budget would be due by July 17th. That's where it falls this year. But, of course, it has always been the City's practice to actually adopt the final budget by the mid of June, just to ensure that we're okay to go by July 1st, which is when the fiscal year starts. Going onto the next slide. So, what makes up our budget? We have a 9.6 million dollar budget for fiscal year 2017. This year's General Fund budget was adopted at 5.2 million. And again, the General Fund budget is to take care of general operating City expenses. Fire Department, your Police Department, Administration, and so on and so forth. Your restricted fund budget, that houses the Housing Authority budget. What we put in there is any grants that we have ongoing, as well as any grants for which applications have been submitted. Now what you might notice is now these amounts might materialize. That's up to the federal agency. Nine point six million is the budget. So how does the General Fund, that's the one that we want to focus on, how does the General Fund budget, what is its makeup? So, the biggest revenue generator is sales tax, coming in at around three million, close to three million, followed by State shared revenues. And State shared revenues are based on census population. Also, it's based on the Governor's budget for the year, and any State legislators that may increase it or decrease it. Then we have permits and licenses. These are the fees that are built here internally in the City. And

it's based on the level of activity occurring outside in the community for which permits, building permits or anything like that, inspections would be required. Also coming into the General Fund revenue budget is Court fines and fees. Now, that's made up of any fines, State fines, and also fees, according to our City Code. Out of everything that's collected, a portion is sent off to the State and a portion is kept here, to the City.

Mayor Green: What is the breakdown for that?

Ms. Aguirre: Recently, it's been running about half and half. In the Miscellaneous Revenue line item, that's where we put all the loose odds and ends; the sale of any assets that may have taken place during the fiscal year, any seizures, impound fees, police reports. We also put in there the Sun Tran bus passes that come in, and also any donations that might come in from different community members for different activities, so that goes in there. When it comes down to the property tax, the City only brings in \$51,000. That's it, \$51,000. And if you look at my note there, that's an eye-opener. It costs us \$76,000 for one entry level officer. That's for his salary and his benefits. So the primary property tax doesn't even bring in enough money to pay for one entry level officer entirely. The hotel occupancy was a fee that used to be charged to the hotel industry. But just recently, we went through the process of ensuring that our City Code was in line with State statute with regards to fees and so this one was eliminated back in October. And you can see what the breakdown looks like for department expenditures. The biggest being the Police Department. That's the one with the highest number of full-time employees, followed then by department, we'll call it the Fire Department. The things that we charge to Non-departmental are things like the Animal Control bill, the jail bill, insurances and some contracts for services. So, that's pretty large as well. Utilities also get charged to that. The rest of the departments fall below. So, now if we look at the budget as a whole, what makes it up? Well, we can see here, you know, the size of the departments, but when we're looking at the category, 62%, that's more than half of our budget, is made up of expenditures related to personnel, to people. That's salaries and benefits. More than half of our budget goes to that. The other 33% is for fixed cost. These are things that we cannot change. That's utilities. We have no jurisdiction over the rates we're charged. That's for the bond payment. That's for services like the jail, animal control. What's also included in here are our insurances for property, casualty, and worker's comp as well.

Mayor Green: I have a question. How does this compare to other municipalities? I mean I know that, you know, the money is bigger, the expenditures are greater. Percentage-wise, is it pretty standard or?

Ms. Aguirre: Mayor, that's a really good question. I, personally, haven't really looked into detail as to how they, you know, they, how the City of South Tucson stacks up to other cities, but I hear that others may be a little higher when it comes to personnel.

Mayor Green: Okay. Thank you.

Mr. Molina: Mr. Mayor, members of the Council, personnel costs generally run around 80% elsewhere, so we're actually low. Even though it looks high, we're actually low compared to other cities and towns. About 80%.

Mayor Green: Thank you.

Ms. Aguirre: So, we'll move on to the financial overview. So let's take a look first at a historical point of view. So, the numbers you see here are the net difference, the net difference between revenues and expenditures, okay? So, out of 9 years that you see here from '07 to '15, seven of them ended in the red, seven of them ended in a deficit. So this meant that every single one of these years in the red was actually, actually had that much in bills that it could not pay that year. As for fiscal year 2016, we wound up with a marginal deficit of \$21,000. After performing some final cleanup and booked adjustments for the audit in fiscal '16, that's \$41,000. And it may change a little in the City's favor by the time the audit is complete, only because of one additional recommended adjustment.

Mayor Green: In 2010, we ended up with over half a million dollars in the red?

Ms. Aguirre: Yes, sir.

Mayor Green: Okay. I can understand the other numbers, but how did we triple in some instances over the previous years?

Ms. Aguirre: Well, in looking at some of the detail, Mayor, on those financials, it really seemed like expenditures really weren't adjusted down to the amount of revenue coming in. Because what you saw coming in in 2009 and '10, '11, was decreased sales tax revenues coming into the City because of the recession. And so the City experienced these deficits even though it had to absorb, so it had to absorb increased medical costs, the increased premiums. Okay. So that was one of the big factors that hit the City. But the City's employees also had to do with salary cuts and furloughs during those years. So those were very critical years. That's as much as I can tell from looking at the numbers at this point, looking back at them.

Mayor Green: Could you look into those and, especially that one and, basically, the one, '13, '10 and let's go ahead and look at '08 also, if you would. Provide me, you know, some kind of information or, on that.

Ms. Aguirre: 2008, 2010, 2013.

Mayor Green: Yeah.

Ms. Aguirre: Okay.

Mayor Green: And just bring it to the Council, that way we can look at it and say, you know, because I understand the recession and everything. I'm just going, half a million dollars is a lot to blame on a recession. I mean, and that's just my opinion. I mean it's, I'm not saying that it didn't happen. I'm just saying wow, when you look at it.

Ms. Aguirre: Sure. And just so the rest of the Council knows, online are posted all the City's finance statements. By law, we are required to post the last seven years. I think we have a little more than that online. When you open up those audited financials, towards the end it gives you a comparison for each department as to what the budget was for that year and where they wound up; whether they exceeded or not for a department, and in revenues as well, whether they came in and what line items

those were, just to give you all some reference as to that. But, yes, I will be happy to provide you with an explanation.

Mayor Green: Thank you.

Ms. Aguirre: So with that said, what happens then when you have so many numbers, so many years ending in the red, unpaid bills, so then it affects our cash flow. As of December, pulling a report from our system, mid-year showed that the amount of unpaid bills was somewhere around \$218,000. Now that's only for the General Fund and that's deducting the amount of expenses for Animal Control and jail bills which were mitigated through the sale of the library. So that \$218,000 in unpaid bills, that number seems to be recurring, at least the last three to four years, which means the City is only making ends meet. There is no extra cash to pay off that much in bills. Okay. This does not include normal recurring bills. So now what are normal recurring bills? Well, these are things that we pay every two weeks; for payroll, for health insurance, for also our vendor payments. We make sure whatever money we have left we pay our bills, the ones that are coming due. This also includes our annual payments for property insurance and worker's compensation. And if you notice here, the total amount of our cash distributions in one year rounds up to 5.2, which is the same amount of your budget, your adopted budget. So what this means is that the money coming in is the same money being paid out right away to pay off your employees and just keep the lights on. Just the minimum. There is no extra money, no extra money to tackle the challenges like those unpaid bills that we saw in the previous slide, which are a quarter of a million. There is no extra money to tackle some of those long-term debt commitments such as the jail settlement, which is for previous jail bills that went unpaid from years ago. So that's what's going to have to be put on the budget for next year, okay? Then there's the Waste Management. That's \$45,000 that we're going to have to budget for next year. There's the unfunded pension liability and at the moment, what we've been doing is just paying the minimum required by Public Safety Retirement System, the minimum rate that they recommend to be paid. That's all the City has been able to do. We also have our bond, our debt service bond. We budget for that at \$600,000 a year. But all of these combined equal \$20,000,000 in long-term debt commitments. When we go back up here for restricted fund bills, or expenditures related to grants, we just do our best to manage those because, again, if we barely have enough money for our General Fund day-to-day, we need to stretch it a little bit so we can cover some of those grants because that's what's required. The grant agencies need you to pay your bills first before they reimburse you. Okay? So all of this is a challenge. But one thing that we should think about is what happens if expenses keep rising and the revenue coming in don't rise with them? Then in a scenario like that, we wouldn't even have money to pay our normal recurring bills. We'd be in a very, very bad spot. We wouldn't even be able to make payroll. So, what did our finances look like mid-year, through December? Well, this is a little snapshot through December. So it looked like we were tracking along okay through December with a surplus of \$37,000. And so the way you read this, I'm going across, let's (inaudible) for the end of the fiscal year. For those of you that haven't really seen a budget report, if you were looking at these numbers at the end of the fiscal year and revenues were below, they came in below the adopted amount, so they're under, and your expenses came below, well then it would not be good for your revenues and it (inaudible) good for your expenditures. So just remember when you're reading your budget reports, okay? If it says under budget on expenses, that's good. If it says under budget on revenues, that's bad. So the challenges that we face for this year. So back in October, if you may recall, I just mentioned the City went through the process of aligning the fees that it charges, making sure they're in line with the State and State statutes. So the City had to deal with a couple of fees. So there's that loss. Also, there's the decline in sales tax

revenues. Those numbers have been tracking in maybe at about 4% below where they should be. There is the Court revenue levels. There's also, you know, always the potential for increased animal control and prisoner detainment. And then there's the lack of sufficient funding in RICO. And so over the course of the last maybe ten years, the RICO fund had helped cover expenditures, normal operating expenditures for the Police Department because there simply wasn't any money, as you see here. So, that fund helped pay for their normal expenditures. But there is no longer any money coming in, or we haven't seen any money come into the RICO fund. So what they would normally cover through that fund is going to have to come back to the General Fund. In fact, the General Fund, right now, has been paying for all of Police operating expenses. So this is next year's challenges. Okay. Remember, we started off with this fiscal '17 budget as the baseline, so that's the starting point. So let's think we're taking it, you know, the way it was adopted with all the positions filled the same way, into next year. So then we want to see where we're going to be short or high. So already we know that we're going to be short on business license revenues, because of those adjustments to Chapter 11, by \$100,000. the pension rates for Public Safety, that's for Police and for Fire, those are increasing next year as well. Police is experiencing a marginal, very small increase, but Fire is experiencing a very large increase. So for those of you who are new to this, just to provide you some context, for Public Safety Retirement alone, the City pays about 83 cents for every dollar. Every dollar of salary, the City pays about 83 cents to the pension. And that's for every police officer, every full-time police officer. On the Fire side, that rate is going to 161%. So, for every dollar that the City pays in salary, the contribution is going to be \$1.61. And on ...

Mayor Green: Hold on, hold on. Say that again.

Ms. Aguirre: For every dollar ...

Mayor Green: Yes.

Ms. Aguirre: ... that the City pays in salary, ...

Mayor Green: Right.

Ms. Aguirre: ... is going to have to pay or contribute to Public Safety, \$1.61.

Mr. Molina: That's in addition to the dollar.

Ms. Aguirre: That's in addition to the dollar, yes.

Mayor Green: So to pay \$1.00 to an officer is costing us \$2.65 or ...

Vice-Mayor Mendoza: No.

Mayor Green: ... two ...

Councilman Larribas: A fireman.

Mayor Green: For the firefighters, I mean.

Ms. Aguirre: Yes, that is correct.

Mayor Green: Wow.

Ms. Aguirre: Well, Mayor, keep in mind that a great majority of the employees in Fire ...

Mayor Green: Are Reserves.

Ms. Aguirre: ... are Reserves. Yes. We currently only have two full-time employees on the pension system. So we go on with our list of challenges here. When it comes to RICO, we just spoke about that and we're going to have to carry, you know, all the expenses related to Police operating. So that total is going to be about \$155,000 coming over to the General Fund. Then we've got to account for the Waste Management settlement agreement.

Mayor Green: Okay. Say that again on the RICO Funds. It's projected at \$155,000 going to General Fund?

Vice-Mayor Mendoza: No.

Ms. Aguirre: Right. The General Fund will have to cover ...

Mayor Green: Oh, have to cover it. I thought, ...

Ms. Aguirre: Yes.

Mayor Green: ... I thought, you know, that it was a projected whatever the (inaudible) or whatever they call 'em.

Ms. Aguirre: Oh, no, no, no.

Mayor Green: Okay.

Ms. Aguirre: They're, Mayor, you're thinking about revenue into RICO fund.

Mayor Green: Yeah.

Ms. Aguirre: No. No, we haven't seen anything on that. This is purely expenditures coming over to the General Fund.

Mayor Green: Right. Then ...

Ms. Aguirre: That would previously ...

Mayor Green: Being funded through, okay.

Ms. Aguirre: Through RICO, yes.

Mayor Green: Thank you.

Ms. Aguirre: And then we're going to have to account for Waste Management. That will be payment two of three, okay, \$45,000. Next, we are currently covered under the COPS grant for two positions in the Police Department. And so, I don't know if any of you know how that works, but it's on a reverse funding scale. So, the first year, they fund you at 75%, then 50%. Next year's the final year and it will be at 25%. So what it's going to cost us on the upside is \$37,000 that we're going to have to cover more on the General Fund side. There's minimum wage laws that are going to affect, and the reason why they affect us next year is because in 2018, the minimum wage rate will be going to \$10.50. And so we'll have to adjust the pay rate for some of the employees in the Fire, some of the Reserves, just to be in line with that mandate. The next ...

Vice-Mayor Mendoza: Can I ask a question? I know that in that, oh, no. I'm thinking that's something else. Never mind. I'm thinking of the overtime, you know, laws that they were talking about, so never mind. When you're set a salary employee and then that overtime that was affecting you or not. Okay. Never mind.

Ms. Aguirre: Yes, Mayor, Vice-Mayor, fortunately, we don't foresee that law affecting us. Fortunately. But it will be minimal, a minimal impact when it comes to the minimum wage. The next two line items here are amounts that are going to affect is because of the Governor's State budget. So the Governor has, in essence, moved monies out of HURF, out of the pot of money it gives to cities and towns, to fund DPS. And so the way that affects us is we lose about \$40,000. HURF, Highway User Revenue Fund, is what pays for fixing, repairing your streets or anything related to that, related to your streets. So it funds a lot of the operations in Public Works. So if the budget is reduced by \$40,000, that either means reducing whatever operations they've got going on over there on the expenditures, any foreseeable projects by that amount, or just shifting it to General Fund, which will be up to Mayor and Council to decide. And it will be a minimal loss in State sales tax. The Governor wants to refund the universities some money so that they could pay for their infrastructure and just operation. So thankfully, it will only mean (inaudible) for us, State sales tax loss. So, the very last item here is due to the consolidation of positions. So we now have one, you know, full-time contract attorney/prosecute, Mr. Yu, so this is what it reflects. Total, the challenges we're looking at going into next fiscal year which are above and beyond what our level, our baseline is, is about \$550,000. And then again, these are all things that are related to laws coming into effect, the loss of revenue, things like RICO, the judgment for Waste Management and the State budget.

Councilman Cantu: I have a question. Is that amount projected to be in addition of the regular expenditures for the year?

Ms. Aguirre: Yes, Mayor and Councilman Cantu, that is correct. This is above our normal expenditures. And things that are not included in here, okay, you can see my long list down here, this does not include any potential increases in medical insurance. We are yet to receive, go through that process and receive quotes. This doesn't include any emergency repairs to our facility. It doesn't include any increases in our premium for either Worker's Comp or our property and casualty insurance. It does not account for any additional loss in sales tax revenue. It doesn't include any merits for employees, and that would actually be the second year that employees go without any raises. It doesn't include any staffing, additional staffing in any department. So it's pretty much, the positions listed on the roster for '17 and that's it. Okay. Assuming they're all filled going into next

year. And, of course, it doesn't include any additional contributions to the Public Safety Retirement System. We only pay the required, or the recommended rate that they provide. So with that said, where do we go from here? What options do cities and towns have? Well, unfortunately, it's not like a normal business that has options of maybe producing a different product line or increasing their fees. There's not many options, as you can see in that graphic. So just remember the goal is always to eliminate the deficit. We want to make sure we have a deficit elimination plan. And also, we need to balance the budget. That's required. Things to keep in mind on the taxes, taxes were raised in 2015. Taxes were raised again for some other industries in 2017. On the expenditure side, keep in mind that 62% of your budget is reflective of expenses for people, your employees; 33% are for things that you cannot change, fixed costs, the cost of utilities, some of your fees, your insurances, contracts. And then 5% is discretionary. That 5% is for paper, toner, operating repairs. It's all the little things that the City, as a whole, shares. So all departments share that 5%. Okay. That includes cost of fuel as well. Like I said, all the little things combined. It's only 5%. So if any of you have any other questions, or if you would like me to dive into anything in specific, I can do that.

Mayor Green: Any questions?

Councilman Romo: When I was going through this, what is it, the mid-year financials unaudited papers, everything kind of seems self-explanatory except the developmental services. Can you kind of explain what that is?

Ms. Aguirre: Yes, sir. Mayor and Council member Romo, Developmental Services houses your Building Inspector and your Planning and Zoning. And as far as day-to-day operations, I can refer to Mr. Gastelum. He is here and he may answer that question.

Mr. Gastelum: Mr. Mayor, members of the Council, would you like me to kind of verify what the department kind of ...

Mayor Green: Please, yes.

Mr. Gastelum: ... (inaudible) department? All right. So currently, it's myself as the Planning and Zoning Director, as well as (inaudible) Durazo. He's our Building Official. And we have another planner, Mick Jensen. We previously had another City Planner and he no longer works with us. We basically do a myriad of things from transportation planning to long-range planning, short-term planning, special project planning, sit on various sub-committees. And at a certain point, you know, I think we're going to have a Study Session where I can go more in-depth as to actually what our department does, so I'll just be very brief. And if you'd like more information at any time, please feel free to stop by.

Mayor Green: Thank you.

Mr. Molina: Mr. Mayor, members of the Council, I just want to backtrack a little bit and clarify, you're probably wondering who is this guy? RICO stands for Racketeer Influenced Corrupt Organizations. And those are investigations that are undertaken by police agencies where there's organized crime element, such as organized sex trafficking or drug dealing. So when police engage in those kinds of investigations, they call them RICO investigations. And in those types of investigations, there's, in all probability, going to be some seizures of assets whether it be money or property or things, versus a

regular call of a shoplifting. That's just a regular police call. But when there are Racketeer Influenced Corrupt Organizations, it's usually narcotics, sex trafficking, those kind of things. And in those types of investigations we generally partner with our federal law enforcement partners such as the DEA, the FBI (inaudible) agencies like that. We are then part of a much bigger investigation. Case in point would be the smoke shops that were selling some illegal substances. That would have been overwhelming for our department to be able to undertake such a huge investigation and shut those people down. So a RICO investigation was initiated. We became part of that investigation, and we, the resources that we acquired from DEA and other federal agencies were huge. We could never have done that ourselves. That's why it's important to maintain an association with the feds to have an officer assigned, especially to DEA. That's (inaudible) over the years and they've been very good partners in trying to keep this City clean.

Councilman Romo: Thank you very much for that explanation 'cause I didn't understand.

Councilman Cantu: Now any revenues that come in to RICO from our City are from the City of South Tucson that is shared to the other agencies or ...

Mr. Molina: Yes. The way the sharing is done it's proportionate. So if we have 10 agents assigned to that investigation, we have 1, we get 1/10 of whatever assets (inaudible). In the federal system, those assets could take longer than a year to finally go through the entire process before we see any of that money. So we're always running behind.

Councilman Cantu: But we don't receive any money from, let's say, the City of Tucson in any seizures that they do?

Mr. Molina: No, unless we have officers assigned to their task force. We used to, and hopefully we can get to that point again. At one time, South Tucson had three officers assigned to various task forces in the area. Currently, we only have one officer assigned.

Councilman Cantu: Thank you.

Mayor Green: I have a question. What exac-, or is there an accounting of what has come in into RICO in the past, or what is pending?

Mr. Molina: The expenditures consist of the salary and benefits package to the officer. I don't know if he, if the officer has a car or a truck assigned to him or her. But that's around \$102,000 that it's costing us to have somebody assigned to RICO. Historically, what we get back in return far exceeds what we put into that system. But more importantly, and this is something that you can't quantify, to close down the smoke shop, how many lives were saved? The smoke shop (inaudible) calls not being responded to by Police and Fire now. That's a savings.

Mayor Green: Exactly.

Mr. Molina: So the savings is a lot more than what you can see on a balance sheet.

Mayor Green: Any other questions?

(No questions from Council)

Mayor Green: Are we at the end?

Ms. Aguirre: I just want to, that's pretty much the end of my presentation, but I want to go ahead and hand out to you all, it's a clean version of the report that was in your binders. And we hope to meet within the next week or two to go ahead and continue this discussion on the budget. And what all the baseline budget looks like for next year. We'll talk a little bit more about any options, possible options, so we'll be coming back to present to you here very soon. So this is only the first presentation of a few to come.

Mayor Green: Thank you.

Councilman Cantu: Thank you very much.

Mayor Green: Thank you. Let's see. Let's go ahead and have a motion to go out of Study Session and back into Regular Session.

Motion by Vice-Mayor Mendoza to end the Study Session and reconvene into Regular Meeting. Seconded by Councilman Larribas. Motion passed unanimously.

ITEM #08 – REPORTS

Mr. Molina: Mr. Mayor and members of the Council, there are two reports that were handed out. One is regarding the inspection of the Gospel Rescue Mission. As you are aware, there was a major fire there during the month of November. And the question was, what is the occupancy. So in order to find out, our Fire Administrator and our Inspector went to the Gospel Rescue Mission. In using, in calculating the Fire Code, as adopted by Mayor and Council, it's the International Fire Code from 2012 that was adopted by Mayor and Council, the legal occupancy for what they were doing there was 55 residents for the square footage that they had. The Gospel Rescue Mission staff had been very cooperative in reducing the size of the number of people that stay there to meet that requirement. (Inaudible) that I could recall, they were still over by two but we indicated to them that we would work with them until they got, give them some additional time to get, to meet the requirements. They've also, during a recent meeting that we had, they indicated that they're looking for funding because they would like to build a 200-bed facility somewhere outside of South Tucson. And that's what their goal is. If they are successful in doing that, what they'll do is then use the (inaudible) facility for storage and office space for staff.

Councilman Larribas: Have they heard anything about the men's shelter that's closing down (inaudible)?

Mr. Molina: Primavera? The one on the other side of the freeway?

Councilman Larribas: No, it's on this side. I believe it's Gospel or ...

Mayor Green: No, the Gospel's ...

Councilman Larribas: ... Victory. Is it the Victory Outreach one that's closing?

Mr. Molina: No, sir, I have not ...

Councilman Larribas: It looks like a hotel, I think. No?

Mayor Green: Oh, on 4th Avenue?

Councilman Larribas: No, it's right here off of 6th. I think to the, behind where that tire shop is at.

Mr. Molina: Is that on 33rd? Or is ...

Councilman Larribas: I believe ...

Mr. Molina: ... it in ...

Councilman Larribas: ... so.

Mr. Molina: ... the alleyway?

Councilman Larribas: I think so, yes.

Mr. Molina: Behind the tire shop?

Councilman Larribas: And then that empty lot is right in front of it on 6th.

Mr. Molina: Right.

Councilman Larribas: Yeah.

Mr. Molina: I have not heard. We'll find out. We'll make some contacts and report back.

Councilman Larribas: Okay.

Mayor Green: That was a really good job by Cory and by the City Inspector. You know, that's one of the things that, you know, we need to do is go out, show our faces to the businesses and everything else. But that's one of the things that we also have to take into consideration is that, you know, the compliance of it. Speaking of that, when was the last time anybody walked into like Salvation Army, to the boarding house there, the dorms?

Mr. Molina: That, I am not sure.

Mayor Green: Is there ...

Mr. Lakosky: We were there about two months ago, and they were actually very low. We keep on them.

Mayor Green: Yeah, okay.

Mr. Lakosky: Fire loading. They don't really like the police department being there but they allow us in and we've never noticed the kind of overflow we see at Gospel at all.

Mayor Green: No, and ...

Mr. Lakosky: It's a far cry from what we've seen ...

Mayor Green: No, and that's one of the things because if this got away, I was kind of worried that what other places can, you know, can be a liability or a hazard to the safety of the people staying there. Because if there were, if you're allowed 50 people and you have an upwards of, I've heard up to, from 150 to 200. You know. If a fire starts ...

Mr. Lakosky: They've been very, very good and we've run ...

Mayor Green: Okay.

Mr. Lakosky: ... calls there.

Mayor Green: Yeah, that's, that's great, yeah.

Mr. Lakosky: It actually looks pretty low.

Mayor Green: Okay. Thank you.

Mr. Molina: Mr. Mayor, members of the Council, I'd like to have the Police Chief to elaborate on the armed robbery at the Circle K.

Chief Ford: Mr. Mayor, members of the Council, I wasn't sure if you were aware, if you had a chance to get the, excuse me, I'm actually getting over pneumonia. If you've had a chance to go over the informational sheet that I prepared a few days ago (inaudible) on March 8th, there was an armed robbery that happened at Circle K on 6th Avenue. And the people that were involved in it that evening, had actually been involved in about four other armed robberies. Our officers responded in just a few minutes (inaudible) suspect information and witness descriptions and get that information out over the air. TPD was able to locate those suspects, basically with the descriptions, on the other side of the bridge at another Circle K, and take them into custody. So those individuals were charged for the events that took place in the City of Tucson and our officers charged them with the event that happened here in South Tucson. There were no injuries at Circle K. I believe the total that was taken was \$51.89 that was taken.

Mayor Green: Is that a combined total or just from this one?

Chief Ford: No, that was, that was just from this one.

Mayor Green: Oh, okay. I was going to say because they're going to go away for a long time for \$51.00. Thank you.

Chief Ford: It was a response and one of the things, and I've spoke with the City Manager about this, is it's kind of expanding our relationship when it comes to loss prevention for particular businesses here who suffer the most loss. That's actually what we spend the majority of our time investigating. It was in the high 60's, I think 63% of the calls that we responded to in the calendar year 2016 were related to petty larceny, shoplifting. So it's one of the things that, there are some patrol strategies that you can come up with. There's off-duty. There's other things that you can do, but the main thing is we have to have a relationship with the people at the stores and work with their plan so that we can try to bring those numbers down.

Vice-Mayor Mendoza: I know in previous years, you know, they have like a security, you know, at the door. They have done that for a while because there was robberies and thefts, things like that. And in recent times, I notice that they don't have that as often now and now it's starting to pick back up again, so that they may need to relook at not having one there is probably not worth it. You know, they need to.

Chief Ford: Mayor and Vice-Mayor Mendoza, for a little while, I know they had a private security company that was kind of making rounds of all of them, but it was kind of infrequent when that was coming through. You may notice that some of our officers try to spend some extended time there to have some high visibility there during the day. We try to spend some time at Walgreen's. These are the two primary locations that we're kind of challenged with (inaudible). Now that City Manager (inaudible) like to meet with Loss Prevention people from both. Maybe we can come up with some ideas and maybe even some funding so that we can provide some extra security. I mean this is one of those things that, that percentage number, although people have a lot of perceptive ideas of what crime is in South Tucson, that's actually the primary thing that really makes our numbers go up. The things that affect business, the things that affect insurance rates. So our ability to be able to address things like that are extremely important.

Vice-Mayor Mendoza: Thank you.

Mayor Green: Thank you. And going off of what the Vice-Mayor said is I have spoken to some of the individuals over at the Circle K and basically, they were under the impression that the City of South Tucson didn't want them to have any security.

Chief Ford: I had a discussion, Mr. Mayor, maybe about 18 months ago, and I'm not sure where that came from in the City. But in talking to their Loss Prevention Manager, I guess there had been some dialogue between the City and I don't believe it was out of law enforcement.

Mayor Green: No, it was the former administration.

Chief Ford: Where they ...

Mayor Green: Yeah, and ...

Chief Ford: ... (inaudible).

Mayor Green: And basically, I said, "Look," I said, "There's no way that the City can dictate who you're going to hire." My recommendation is, to me, and I had already spoken to the City Manager on this one, you know, to try to make contact with the regional manager, or the area regional manager, to get to that. But, yeah, that's, I don't, there's no way that you would say that because it's just making your life more difficult by saying that, so saying that, we need to get, we need to get with them and put them on the right sheet of music and say, "If you want to hire, hire. If you want off-duty, off-duty. If you want, you know, full-time or roving or whatever, that's up to you." And anything that we can do to assist or help with is great.

Chief Ford: I hear you.

Mayor Green: Thank you.

Vice-Mayor Mendoza: I also think that us, as a Council, need to be very careful about what we say in perception to the businesses and other people around here because we can't give directives to ...

Mayor Green: Right.

Vice-Mayor Mendoza: ... anybody outside of, you know, so I think that that's huge on our part that we recognize that we, what we say gets taken out of context, too, just like anyone else. So, therefore, we need to be really careful about what we say and what we do when we're out in public and who we speak to because if that came from the previous administration, that means that somebody was talking and was giving them the impression that they had the authority to tell them to act in a certain way. So, that's not, you know, appropriate of the Council. I think that comes back to us in recognizing that we can't do that as individuals, you know, so anyways.

Mayor Green: All right. Thank you.

Councilman Larribas: That's a good point.

ITEM #09 - ADJOURNMENT

Motion by Vice-Mayor Mendoza to adjourn the Regular Meeting. Seconded by Councilman Cantu. Motion passed unanimously. The meeting adjourned at 7:08 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 Regular Meeting of the City Council of South Tucson, Arizona, held on the 13th day of March, 2017. I further certify the meeting was duly called and a quorum was present.

Dated this _____ day of _____, 2017.

Veronica Moreno, City Clerk