

Minutes of the Regular Meeting of the Mayor and Council of the City of South Tucson, Arizona, held Monday, March 27, 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
Rufino Cantu
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
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.

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

ITEM #05 – CALL TO THE AUDIENCE

(No response from the audience)

ITEM #06 – APPROVAL OF MINUTES: REGULAR MEETING OF MARCH 13, 2017

Motion by Councilman Cantu to approve the minutes of the Regular Meeting of March 13, 2017. Seconded by Councilman Romo. Motion passed unanimously.

Mayor Green: One of the things I'd like to do is go ahead and move Item #08 up to Item #07, which would be the Rezoning Case #17-001.

ITEM #08 – REZONING CASE #17-001

Mr. Molina: Mr. Mayor, members of the Council, this is a rezoning case for property located at 39th and 6th Avenue. And Mr. Gastelum (inaudible) speak about this.

Mr. Gastelum: Mr. Mayor, members of the Council, before you all tonight, you have Rezoning Case #17-001. We have the applicants, the co-applicants here in the audience tonight. Basically, they're requesting, the property is comprised of five parcels on 39th and 6th Avenue. It's one big property that's vacant right now. It's actually comprised of five separate parcels. All the same property owner, but two of those parcels are actually zoned SMH, which is a residential manufactured housing zone. The other three parcels are zoned SB1, which would allow for the construction of a dental clinic and that is what the applicant is wanting to do is to construct a dental clinic on that property. In order to do so, like I stated, the two SMH properties have to be rezoned to SB1 to allow that to happen. Staff recommended (inaudible) approve the request to rezone the parcels located at this address. And at that time, the Planning and Zoning Commission voted unanimously, 4-0, to approve the

rezoning request. We had three comments from the community in favor of the rezoning request. There is a notice that goes out to all the department heads, and they are all in favor of the rezoning request. So at this time, it's brought forth for you all for action. And like I said, the (inaudible) here with us tonight if you all should have any questions, or questions of me as well.

Mayor Green: I do. On the City of South Tucson Planning and Zoning Department, it says read carefully. And then it recommends approval but it says that the transit authority place a proposed bus stop on this property instead of the property which they deemed (inaudible) would like to replace and, okay, instead of the 2847 South 6th. Or in, did you see those comments?

Mr. Gastelum: Yes, sir, Mr. Mayor. All three of these individuals are in favor. The particular comment that you're referring to is the property owner that is directly north of this property. All property owners within 300 feet are advised and noticed of the rezoning hearing. This particular gentleman, the reason transit authority is doing bus pullouts currently and been doing some planning over the last couple of years. That bus stop at that location was identified as a potential route, or a location for a bus pullout rather. And the property owner, as you can see, there is a type location there, there's limited parking. They weren't in favor of it. So that is why this gentleman made the comment (inaudible). I spoke with him and we discussed things. So we're ...

Mayor Green: Okay. Because I remember when they were doing the bus stop several years ago, they came and the reason they were going to put it there was if we put it anywhere else, it was, or further south, it would, like on the other side of the block, it would be too close to the light. And be, you know, probably, you know, hazardous or binding traffic. So, I know he recommended approval still, but does he understand that it may still stay there?

Mr. Gastelum: Correct. At this particular location, I've spoke with RTA with respect to putting a bus pullout at that location. They are not proceeding with putting one at that location at this time because of the burden it would put on that property owner. And he is aware that that bus stop will remain. It is an inset bus stop. It's not going away at this time.

Mayor Green: That's great. I mean, we need the development and everything. So it's basically just recommend approval. Do you have any more that you want to put in?

Mr. Gastelum: I don't at this point, but if any of the Mayor or Council has any questions for me, or like I said, ...

Mayor Green: Any questions ...

Mr. Gastelum: ... (inaudible).

Mayor Green: ... from the Council to the Planning and Zoning, or to? None?

Okay.

Motion by Councilman Patino to approve the Rezoning Request. Seconded by Councilman Cantu. Motion passed unanimously.

Mayor Green: So thank the individuals and we'll do anything and everything to help them out. Oh, let me make a correction. I'm sorry. I forgot to do a Roll Call.

Ms. Moreno: Oh, that's necessary for the rezoning.

Mayor Green: No.

Ms. Moreno: Or for the ...

Mayor Green: For the Council. The, to declare the two individuals that are absent.

Ms. Moreno: Yes, I was going to actually go onto that.

Mayor Green: Okay. So do you want to make it right now?

Ms. Moreno: That's fine.

Mayor Green: Let the record reflect that Vice-Mayor Mendoza and Robert Larribas are absent and excused. Thank you.

ITEM #07 – STUDY SESSION – CONTINUATION: GENERAL FUND OVERVIEW AND BASELINE BUDGET

Motion by Councilman Patino to adjourn the Regular Meeting and enter into Study Session. Seconded by Councilman Cantu. Motion passed unanimously.

Mr. Molina: Mr. Mayor, members of the Council, the Finance Director is here to present a baseline budget and to identify the challenges for next year's budget. She just wants to make sure that everybody is aware of the budget process, what the challenges are. She wants to highlight some of the challenges so that there is a better understanding and so everybody has a chance to ask questions in case somebody isn't clear about what some of these challenges are and how we can arrive at next year's budget. So with that said (inaudible) the Finance Director.

Ms. Aguirre: Mr. Mayor, members of the Council, good evening. So what we'll be discussing today is pretty much a continuation of that presentation you had two weeks ago. If there is anyone here who wasn't present that day, that first presentation was merely an introduction to the budgeting process, review of definitions, words, and pretty much how to read the budget, things of that nature. We did a little brief overview of the historic finances, currently and what we foresee for next year. And so this is basically building off of that, and delving a little more in detail into what those challenges are for next year as well as what options Mayor and Council may have available. So first of all, there will be a quick review of what we went over. I'll show you those slides that we had two weeks ago on the basic budget structure, the historical review, the cash flow challenges, and then we'll do an overview of the finances for fiscal '17. We're going to look at the estimated actuals, where we're thinking we will end up by the end of the fiscal year. The numbers are based on December numbers and so I'll bring those up to speed through the first quarter in April, first part of April. Then we'll also look into the fiscal 2018 baseline budget and the challenges, as well as do a brief touch on that five-year model. I don't know, some of you may have tracked on that. So basically, the five-year model is a plan that accounts for any potential increases and any expenditures or revenues or decreases thereof. And it gives you a picture of where you might end up as a City in five years, and help you prepare for that. And finally, we'll look at a menu of possible options. So first off, quick review. During the last meeting, we reviewed this information: basic budget structure as revenues, that's money coming in; expenditures, that's money going out for your operating. The net of those two is either a surplus or a deficit. A deficit being a lack of money. So every year that ends in a deficit, that means pretty much unpaid bills at the end of that year. So we went over a couple of years just to give you some context of what we've seen transpire over the last 9 to 10 years, and there's a lot of red there. There's been a lot of years when the City hasn't been able to fully pay off its debt for that year. So that, of course, affects cash flow. And so review of what our cash flow challenges are, here is our normal, normal bills that we pay for. We pay for payroll, that's every two weeks. We pay for health insurances. We do our normal check runs to vendors. And essentially, what this adds up to annually is pretty

much what the budget was adopted for. The budget for this year was adopted at 5.2 million. And so the way we're spending is pretty much the money coming in, that's the money going out to pay the bills, which means that there is no money, no extra money on top of that to cover other things like those unpaid bills that have rolled forward. Our payables show about, they always range from \$200,000 to \$250,000. And that's been the case for the last three to four years. There is also the challenge of covering restricted expenditures. That's grant expenditures, because grants are always on a (inaudible) basis. So General Fund cash has to pay for them and then wait to get reimbursed. But when there is no extra money, that could be a challenge. And then there's your long-term commitments. Long-term commitments like the jail settlement, the Waste Management Settlement. There's the unfunded pension liability. And also, your bond, which alone is \$600,000 a year. All right. So that's just a brief overview of what our cash flow is like. So now we'll go into our finances. From a (inaudible) standpoint, by the end of this year, based on the numbers from December, projecting them out through the end of the year, which is June 30th, that's the end of our fiscal year, your projected deficit, \$14,000. Of course, if any of the departments have any savings, it will improve that (inaudible). The challenges have been the loss in business license revenue, from amendments that were necessary to update our City Code. Also, there's been a decline in City sales tax. And so far, what we had to go off of was just three months worth of collections because you may recall that the fiscal '17 budget was adopted with some increases in sales tax revenues, sales tax rates, I'm sorry. And that was effective October, so we had some collections for October, November, December. But here, by the end of March, we should have a better idea of where they're coming in. But overall, they've been on a slight decline. Court revenues, that continues to be a challenge. Also, ...

Mayor Green: What is the challenge.

Ms. Aguirre: The challenge being that at one point, the revenues were much higher than they are now. And so I'm closely tracking to see where the revenues come in on a month-to-month basis. For the first six months of the year, they were pretty in line, so now, ...

Mayor Green: Well, when you say in line, what do you, with the cost of doing business versus the recoupment?

Ms. Aguirre: With the budget. With the budget, what was adopted. So when the fiscal 2017 budget was adopted, that was based on projections that had, were in line with the Courts. And pretty much in line with what they brought in in fiscal year 2016.

Mayor Green: Were they in a deficit?

Ms. Aguirre: When you look at it from that standpoint, yes. The Courts never bring in enough money to cover all their expenses. The Courts is pretty much a \$250,000 operation, bringing in revenues at \$140,000. So when you compare that, yes, they, it could be perceived as a shortfall. But the case has been the General Fund carries that operation of the Courts. Of course, other challenges continue to be any increases in Animal Control and prisoner detainment, as well as the lack of funding in RICO. So that means that any police operating expenses that used to be carried by RICO will have to be carried by the General Fund. And I just want to let you know that whatever numbers you see here tonight with regards to the budget next year, it's a fluid document. It's a work in progress. So I'll do my best to help you track along with what those changes have been that affect the bottom line.

Councilman Patino: When, going back to the RICO funds, if the fund, what's the General Funds pays for RICO funds, does RICO funds eventually, money come back into the General Fund? Understand what I'm saying? Since the General Fund sometimes, the way I understood what you just said, the General Fund takes care of RICO funds and RICO, when there is no RICO funds. Correct?

Ms. Aguirre: So, Mayor and Councilman Patino, RICO is not really like a grant reimbursement.

Councilman Patino: That, I understand. All I'm saying is, does any of that money eventually come back into General Fund?

Ms. Aguirre: Mr. Patino, the answer to that is no.

Councilman Patino: No? Okay.

Ms. Aguirre: No. So if the RICO fund has monies available, and the purchases of whatever materials or the expense of any, any, I don't know, any line item is approved, authorized and approved, and there is money there, then that's when it comes out of there.

Councilman Patino: Okay.

Ms. Aguirre: In essence.

Mayor Green: Okay. When you say line item, what are we talking about?

Ms. Aguirre: For instance, things that were being charged to RICO where things related to normal operations, things that were authorized.

Mayor Green: For the Police Department?

Ms. Aguirre: For the Police Department. Yes, only for the Police Department.

Mayor Green: Okay. Yeah, that's why I said line item. I'm going, hm. Okay.

Ms. Aguirre: Well, a line item from Police Department budget. Okay. Any other questions? No? Okay. Now, going on to the fiscal 2018 baseline budget. This is what we're looking at. It's a pretty scary number, \$624,000, where expenditures exceed revenues. Now keep in mind that the baseline budget is based off of the way we're spending money now, okay? Based on our estimated actuals, we take into consideration anything that we see are coming, any changes in legislation that may affect it, our expenses or our revenues, any increases in costs. Let's say we know that our vendor for paper is going to be going up and we can't get it anywhere else for less, we account for increases in costs like that. We also account for all positions being filled. There are certain positions in the personnel roster that are currently vacant, but the baseline assumes ...

Mayor Green: That they are filled.

Ms. Aguirre: ... that they are filled. That assumes all positions are filled. So with that said, again, our expenditures are above our revenues by \$624,000; \$548,00 of that may sound very familiar to that list of challenges that I provided you two weeks ago. That was the challenges pretty much going through those major players, and what was building up that deficit. Again, it was the loss of business license revenue, the increases in pension rates for Public Safety. That's for Fire and that's for Police. The jail settlement agreement that the City will have to pay once that settlement agreement is renegotiated with Pima County. That's for old jail fees. Then here you see RICO. That's what RICO used to carry in the past, so that will be coming to the General Fund. Then there's the Waste Management settlement, which this year paid for one of the three payments so next year will be the second payment. That accounts for that. Next year will also be the third and final year for the COPS grant. So the COPS grant allowed the City to hire two additional officers. And it funded those positions on a reverse scale. So the first year was 75% and the City covered 25%. Second year was 50-50. The third year is 25% and we have to pay 75%, so we gotta add that additional

\$37,000 to our side. And then in fiscal '19, it will be 100%. Also, because of the minimum wage increase and the law surrounding that, we will have to make a small minor adjustment to the Fire Department and with some of our Reserves. Our volunteer Reserve firefighters get paid. This is also accounting for \$40,000, approximately, loss in HURF revenue. Now HURF is, it stands for the Highway User Revenue Fund. That money is generated from gas, fuel taxes, and it's distributed to all jurisdictions for use on streets and anything related to streets. Our Public Works Department is the one that uses that fund when they're doing any sort of repair related to the streets. Now these items here, as well as the slight loss in sales tax revenues, these right here could change. Hopefully, they don't get worse, but they could get better. By the time that the Governor's budget is done, then we'll have a better picture of where that went up. But the reason why they're listed here is because even though, for instance, the HURF is a restricted or a special fund, it will be the decision of you, Mayor and Council, as to whether you will want to absorb whatever expenses or projects are being funded with that \$40,000, and fund them through General Fund, or reduce it on the HURF side.

Mayor Green: I have a question. And this is to the City Manager. Could we possibly get a report of the impact to the HURF, with the HURF funds or the shortage in HURF funds and how it will impact Public Works? I mean what programs are, what projects did they have in the works, which ones are coming up, which ones are currently going on? And exactly, basically the breakdown of HURF funds.

Mr. Molina: And where they've been, what we did with HURF funds this year?

Mayor Green: Yeah, what we've done, what we're planning to do with it, and how they're utilized.

Mr. Molina: (Inaudible).

Mayor Green: Okay?

Mr. Molina: I can (inaudible).

Mayor Green: Thank you.

Ms. Aguirre: With that said, that \$548,000 did not include these items listed below. For instance, any increases in the medical premiums; do not include any necessary maintenance for the building. Let's say our roof were to cave in, it doesn't include that. It doesn't include any potential increase in the Worker's Comp premium so if there was a lot of claims related to Worker's Comp injuries, this year and last year, and our rate was going to go up, that's not included in here. And that's yet to be determined. Also, the same thing could go for our property and insurance, property and casualty insurance premium. This does not include the additional loss of sales tax revenue, but in the previous slide right here, I did include and this comes from the reports. You can attribute that to loss in sales tax revenue. Also, this does not include any employee merits, so no raises for employees this next year. This does not include additional staffing for other departments. It does not include any additional contributions to the Public Safety Retirement System.

Mayor Green: So when you say that, no additional contributions to the Public, the Police, say it again.

Ms. Aguirre: The Public Safety ...

Mayor Green: Thank you.

Ms. Aguirre: ... Retirement System.

Mayor Green: Public Safety Retirement System, yes. I couldn't figure out what the "R" was for, it's Retirement. That means that even if we have a position that's allotted on the, you know, in the Police

Department, even, that should be covered also with the portion of monies that we have to pay into the retirement, right?

Ms. Aguirre: Yes, Mr. Mayor. So any position listed in the personnel roster, it already has a built-in amount ...

Mayor Green: Okay.

Ms. Aguirre: ... that would go to the pension.

Mayor Green: Okay. I didn't want to have a position there and funded and not have the retirement side funded.

Ms. Aguirre: Correct. Yes. So, in fact, there is a column in there that has an allotted amount, the calculated amount ...

Mayor Green: Okay.

Ms. Aguirre: ... for that contribution. What this means, making no additional lump sum payments on top of what we already contribute through payroll.

Mayor Green: Okay. When you ...

Ms. Aguirre: Which is the ...

Mayor Green: ... mean ...

Ms. Aguirre: ... minimum.

Mayor Green: ... lump sum payments, how? When would we make one?

Ms. Aguirre: So, in the event that the City had reserve, or savings, and they wanted to improve its funded or unfunded liability, ...

Mayor Green: Okay.

Ms. Aguirre: ... the Public Safety Retirement System would accept lump sum payments outside of your normal payroll to payroll.

Mayor Green: Okay. No, I thought it was, somebody retires and all of a sudden, it's like, you know.

Ms. Aguirre: No.

Mayor Green: Okay.

Ms. Aguirre: No, Mayor.

Mayor Green: All right. Just wanted to make sure. Thank you.

Ms. Aguirre: All right. So, should this really be a surprise to us, a deficit of \$548,000? Well, just to give you guys a little bit of insight, the five-year model that we've been looking at, you know, had a really, really big deficit. So five years projected out, back in March of last year, that deficit at the end of the five years was 2.8

million. And so the question was how do we begin to prepare for that? And then, again, last summer, it had gone down to about 1.5 million at the end of five years. So, it really wasn't a question of what, but more of when, when it was going to hit the City. And unfortunately, it just so happens to be next year where the bulk of it is hitting. Because things that are included in here are those increases in the pension rates, and also the liabilities that we had to pay out for like Waste Management and the jail, things of that nature. One thing that did maintain (inaudible) here was sales tax where we're seeing a slump. So with that said, let's look at a menu of options, of possible options. So, Mr. Mayor, members of the Council, my job is to let you know everything that the City could possibly, well, that from my standpoint, the City could possibly look into and, of course, you know, also from a legal standpoint, from a legal and financial standpoint, whatever is allowed. So with that said, you can look at one option that we looked at last year was the bond. So the bond payment is \$600,000 a year. The total debt owed on that bond expires, actually, and I should have stricken that off, it's more like 2037, but what's owed is 7.3 million. So it's considered long-term. It's like a mortgage, I guess you could say, a mortgage payment. So it's \$600,000 every year. So, can we do anything? Is there any potential cost-savings with that? We're going to look at what the benefits are, any requirements, and we're going to, from the example in here.

Mayor Green: I have a question. On the actual bond itself when it was taken out, when was it taken out? You know, what was the initial amount that was taken out?

Ms. Aguirre: So, Mr. Mayor, members of the Council, the original bond was taken out some time, 1984, if my memory serves me well. And it was for a fraction of that \$7,000,000. Now, and I can bring this back at a future date to show you, but what our financial advisors have done was actually the research, digging into every single refinancing of that bond, and what it was for, and how much they got at that time. And so the history just shows it was refinanced time and time and time again. So, it was pretty much deferring or picking out the debt more and more, if that makes any sense. It's like never, you can say like never finishing up paying your house. You just go on and on and ...

Mayor Green: Yeah, 'cause ...

Ms. Aguirre: ... on.

Mayor Green: ... they were just taking line of credits.

Ms. Aguirre: Mayor, yes. Yes. It could be ...

Mayor Green: (Inaudible) ...

Ms. Aguirre: ... understood that ...

Mayor Green: ... same thing.

Ms. Aguirre: ... way.

Mayor Green: Yeah, understood that way. Easiest way to, okay.

Ms. Aguirre: Yes. So we're going to go on to, we're going to put an example, okay?

Mayor Green: I'd be interested if you could, I don't know if there's a-, have to come up to Council, but if you can get me a copy of what, when it was refinanced and the purpose of the refinancing, and if possible, if you can get something that shows where it was utilized. Did it actually have an audit trail going back to the General Fund, or did it end up, you know, disappearing? Because sitting back here looking at this, and then

looking at all the other expenses, such as the jail bill that wasn't paid, the revenue was there, what was the revenue being used for? You know, and that's what we need to look at. We need to look at why wasn't the jail bill being paid off? You know, City Hall hasn't been paid off. We've been making, you know, astronomical payments of \$600,000, but then we pay, you know, take half a million out every year, or every three years. Because it was refinanced what, '84, I mean the initial, '87, ...

Ms. Aguirre: '91.

Mayor Green: ... '91, '94, 2002, 2004, and 2007.

Ms. Aguirre: Mr. Mayor, I can certainly provide that information ...

Mayor Green: Yeah, 'cause ...

Ms. Aguirre: ... to you all.

Mayor Green: To do that, I mean it's just, to a community like this, yeah, that's criminal. But, okay. Sorry.

Ms. Aguirre: So going on to the example. So we'll attempt an example. So the basic benefits of refinancing your home, because we're going to bring this down to our personal budget level, okay? So the benefits of refinancing your home could be to lower your interest rate and then save over the term of the loan. We can also gain benefit by extending the term out and lowering the payments. So those are benefits. But the requirements. When you go to the bank and you look for credit, right, what are the requirements? So they look for proof of income. They look at your finance history. And they look at your credit score. So let's use this example of Mr. John Doe over here. So Mr. John Doe, poor guy, so he needs to get some money. So let's look at his finances. He has monthly income of \$4,900. He has a mortgage or rent of \$600. He has normal recurring bills, those things that he has to pay: his car, his insurance, his groceries, things like that, and then other basic expenditures. By the end of the month, he's short. He's short \$300. So on top of that, Mr. John Doe has additional unpaid debt. It could be anything. It could be medical expenses, credit cards, anything like that. Unpaid debt of \$20,000. But if he's running short on his bills, \$300 a month, is he ever going to be able to pay this \$20,000? No. So in a sense, his credit score is going to be very bad, very, very bad. So is a financial institution going to consider him credit-worthy? No. Probably not because, first reason, he doesn't earn enough money to pay the bills he already has, right, because he was running short at the end of the month. And he has too much unpaid debt. He also has a very low credit score that reflects bad financial history. So, no, they're probably not going to want to give him the loan. So, how can he improve it? Well, in order to gain control of his financial health, he can increase his income. He could cut his spending significantly, or what we like to use here, a deficit, implement a deficit elimination plan. And then eventually, he can start paying off his unpaid debt. But what if, just what if there are laws that prevent Mr. John Doe from bringing more income into his household? What if he can't increase what he brings in, the money he brings in? So that's why you see right here, monthly income staying the same. But he does do the second option. He says, "Okay. I'm going to start cutting those things. I might not go out and eat out as much. I might cut my cable." This is just an example. But it's things that we do on a personal level to manage our personal budgets so that we can make ends meet. So after implementing his savings plan, at the end of the month, he might have \$500 left to start paying down his debt. And all of that will make him look better. It will improve his credit score. So the next time he goes out and asks for a line of credit to refinance his home, they'll consider him. So essentially, these are the basics: increased income, cut spending. That is our deficit elimination plan. That's what it's comprised of, increasing money coming in, decreasing your spending. So ...

Mayor Green: Okay.

Ms. Aguirre: ... how ...

Mayor Green: Okay. Go ahead.

Ms. Aguirre: So how does this relate to the City? Well, pretty much, in order to improve the City's financial health, we have to implement a deficit elimination plan. So there are ways we can do it. We can increase revenues, it's money coming in. The immediate way of doing that would be increasing sales tax. But they've already been increased in fiscal 2015 and fiscal 2017. And that may be closely related to the trends we're seeing in money coming in. The long-term impact is economic development. But that's always an ongoing effort. And you may not see the benefits of economic development for a few years. If you start something now, you might not see the benefits until three, four years down the line. Nonetheless, it is necessary. The second thing here is to cut significantly. And then perhaps, we can start working towards paying off some of our long-term unpaid debt. But to cut significantly would be to reduce down to a level that the City can sustain, to a level that the revenues (inaudible).

Mayor Green: Which means?

Ms. Aguirre: Which means bridging the gap ...

Mayor Green: No, no, no. Not bridging, the comment that you put there, ...

Ms. Aguirre: Mm hm.

Mayor Green: ... cutting spending significantly. What could we do, as a City, to achieve that?

Ms. Aguirre: To be honest, what the City could do is look for less expensive ways of providing ...

Mayor Green: Okay. That's, ...

Ms. Aguirre: ... a service.

Mayor Green: ... that's, that's basically a run of the, very generic, I mean are we looking at cutting positions? Are we looking, I mean is it going to come down to that? Is that what you're, you know, looking at?

Ms. Aguirre: Well, Mr. Mayor, ...

Mayor Green: I mean ...

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

Mayor Green: ... right now, we don't, ...

Ms. Aguirre: ... (inaudible).

Mayor Green: ... you know, we need to have all the cards on the table to be very, you know, we need to know what the real picture is. You know, don't, don't try to describe something, and I'm, and believe me, I'm not, you know, I want to see the real picture. I don't want to see what you interpret that picture to be. I want to see exactly how it's going to affect every department, how it's going to affect the City, and we, as a Council, and especially the residents of the City. How is it going to impact? What do we need to do?

Ms. Aguirre: Absolutely. I think that we will touch on that in the coming slide.

Mayor Green: Okay. Sorry.

Ms. Aguirre: No, that's okay. I mean, I think, Mr. Mayor, we're facing a tremendous challenge. And like you said, all cards need to be on the table.

Mayor Green: Mm hm.

Ms. Aguirre: So we will definitely be looking into that. And ultimately, you know, it is the task that Mayor and Council is tasked with.

Mayor Green: Right.

Ms. Aguirre: Yeah, so definitely we will be going over that in a few slides. So, this had to be put on the table just so everybody knows, everybody here knows. Revenues. Can you increase revenues? Well, potentially, here's what the City can potentially gain by increasing these industries 1%. But I've also included a comment here of whether or not they were presented previously, and whether they were not, whether or not they were implemented. Okay? So these that you see here marked October of 2014, that was from fiscal '15. And what you see marked October of 2016, that was for the current fiscal year. So those specific industries, their sales tax rates increased on those dates.

Mayor Green: Except for the, item number 6, right? Didn't, didn't we have a decrease in the sales tax on food?

Councilman Patino: That's correct.

Ms. Aguirre: Yes, Mr. Mayor, and Councilman Patino, yes, yes. So I think that I put a date there to denote a change.

Mayor Green: Okay.

Ms. Aguirre: To denote a change, yes. It went from 2 to 1.5%.

Mayor Green: Okay. Because it says sales tax increased by one point, or 1%, food ...

Ms. Aguirre: So ...

Mayor Green: ... (inaudible) consumption.

Ms. Aguirre: Yes, sir. So this is basically the option, if you wanted to increase it another percent, then that's what, it would give you \$51,000, but, no, you already touched that in '14.

Mayor Green: Mm hm.

Ms. Aguirre: Okay. So here's those options. Up above, option number 2, is the primary property tax. So the primary property tax, that one right there, there's constitutional limits that prevent you from going any higher. Right now, what the City collects is 25 cents per hundred dollar valuation. And in the next slide, we'll see how it compares to other places. But pretty much, essentially, the City only stands to collect \$20,000 more by increasing it to the cap. But even then, there's this whole process to go through; truth in taxation, as well as, the risk of losing it because of other statutes that have gone into place that go to help what they call "State Aid to Schools" ...

Mayor Green: Say that again.

Ms. Aguirre: They're the State Aid to Schools, which if it goes over ...

Mayor Green: Well, we have ...

Ms. Aguirre: ... a certain ...

Mayor Green: ... a certain amount that goes, it goes to there instead of to us. Okay.

Ms. Aguirre: Correct.

Mayor Green: Okay.

Ms. Aguirre: Yes, Mayor. So that was also put on the table last year. You know, you could increase. If you were to increase your occupational, your business license fees that we charge to the business, through the City Code, you stand to gain \$12,000 but those were also, a lot of these were effected previously. So this is just a point of reference. And on the last column, under implementation, it says "What is necessary to implement." So, all of these get implemented through an ordinance. And that means staff brings it up to, well, first of all, staff follows the direction that the Mayor and the Council provide. So if Mayor and Council wanted to increase any of these right here and said, "Yes, go ahead and go through with that," then we would bring it back to Mayor and Council. We would follow the requirements for posting and all that's required by law. And then ultimately, it would be passed by an ordinance. Mayor and Council would pass it by an ordinance. Okay? The only one that would have to go to a vote of the people is any sales tax increase related to the residential rental. So now, how does the City of South Tucson compare to surrounding jurisdictions? Let's take a look at the next slide. What you see here is a breakdown of the City of South Tucson next to other jurisdictions. It will list the primary property tax, and the secondary property tax. So the primary, that's the one that has a limit. And the secondary, the secondary has to be approved by a vote of the people. And it can only be related to bonds that are authorized. So in this case, the City of South Tucson is only charging 25 cents per hundred dollar valuation, where as the City of Tucson has a couple of line items here and collects a combined \$1.50. So what does that mean? Where does that put us? Because I think it's very important to know and understand, especially because we are surrounded by the City of Tucson. So when it comes to an average home that's valued at \$77,000, the City of South Tucson winds up collecting about \$195 on that home, for the primary. That's it. The City of Tucson, for a home valued at that much gets \$1,100. But that's what they can collect. Down below, what you see is the values of all the properties that we can bill, and the values of all the properties the City of Tucson can bill. So our current year value is 20.4 million, whereas theirs is 3.1 billion. So what we stand to get versus what the City of Tucson gets does not even compare. All in all, that 25 cents brings in \$51,000 a year and that's it. That is it. And, in essence, I think that the consideration in raising sales tax revenues was to try and offset or balance, somehow, the money that is brought in for operating.

Mayor Green: Will you say that again?

Ms. Aguirre: So pretty much, the City of South Tucson has had to undergo this like balancing act, yes, we are, our sales tax might be a little higher, but our property tax is lower. Yet, we need to bring in whatever we can to continue providing services.

Mayor Green: No, and I understand that, and I agree with it, but the only problem is that it's upside down. Because if we, if our property tax will never go up to the amount that we need it to go to, to reduce our property, or our tax, our sales tax, and our sales tax compared to the surrounding areas, and talking to business people, is extremely high.

Ms. Aguirre: Yes, so we'll go on to look at, here's the sales tax, and how it compares to other jurisdictions. So you can look for yourself and see what the difference is between us and other jurisdictions. This is for the taxing items that we have, that we currently tax on. So, yes, there is a disparity. Nonetheless, the increases were recommendations of previous years as a means to balance the budget those years. And all this information, just so all of you know, is available, for the previous slide, all that is available on the Pima County Treasurer's website, under Tax Rates. The link is down below. And then on this one, all the information is available. The website for the Model City Tax Code, under Tax Rate Table. It's all public information. So there's a big disparity. Now, let's look at expenditures, if nobody has questions on these last screens. No? Okay. So now going on to expenditures. So we looked at revenues. That's one part of the equation. Now we've got to look at expenditures. That's the other part of the equation. So, pretty much, what's on here is employee salary cuts. If Mayor and Council consider to impose a 3% salary cut across the board, the City would stand to gain \$88,000. However, I must mention that this was one of the things that was imposed in previous years, 2011, 2012. And it wasn't until fiscal year 2014 that cost of living adjustments were provided to employees again. In fiscal '14.

Mayor Green: It was a, excuse me, there was other cuts prior to that. I mean early 2000, late '90's. You know, so, I mean there was Police Department took a big hit, some of the Public Works took big hits, and everything else. I know that in 2006, I think we were looking at, that we also reduced, you know, pay cuts. We took, I think 10% or something like that, from the Police Department.

Ms. Aguirre: Mr. Mayor, ...

Mayor Green: And other ...

Ms. Aguirre: ... that could be, that could very well be possible. That's before my time.

(Simultaneous conversation)

Ms. Aguirre: The one that I do remember was around 2011 ...

Mayor Green: Yeah, no, ...

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

Mayor Green: ... there was another one.

Ms. Aguirre: There probably have been more.

Mayor Green: Yeah.

Ms. Moreno: Excuse me, Mayor. Only 'cause I wasn't here yet, but I do know, if I may, City Manager, it was like in the early '90's, like maybe like '91, '92. And then I think like in '94, '95, they started to give it back to the employees in 2.5% increments up until it, you know, hit that 10% mark.

Mayor Green: Right. But then after the Weed and Seed, they took it away.

Ms. Moreno: Yes, that's ...

Mayor Green: Yeah, so ...

Ms. Moreno: ... correct.

Mayor Green: ... that's what I'm ...

Ms. Moreno: So it was like ...

Mayor Green: ... talking ...

Ms. Moreno: ... in the early '90's. I just want to answer your question ...

Mayor Green: So it would ...

Ms. Moreno: ... (inaudible).

Mayor Green: ... have been '86 to, I mean '96 to '99. Okay.

Ms. Aguirre: So that's just a testament that, you know, some of these things are tried time and time again. But the big structural problem is, hasn't been addressed.

Mayor Green: No, and, and that's what I'm, that's what we've always seen, you know, I mean you're talking about implementing this, you know, deficit reduction. You know, why are we trying now and not five years ago? You know, I mean it's just, you know, I mean the, everything, all the issues that I see, and I, I see the issues, is the jail bill, the Animal Control bill, those, those are the things that I'm sa-, I want, I, I'd like to have some kind of answers to is how did we get to that point? I mean if the jail bill was at 1.9 million dollars, it didn't happen on our watch, and it didn't happen overnight. I'm saying if the City was physically sound, generating revenue, why wasn't it being paid at that time? I know it was before your time. Okay? But those are questions that this Council would like to have answered is, so we, you know, because, you know, we're stuck, we're the ones trying to sweep up the mess. You know, if we got, if we got a 1.9 million dollars, and we reduced it, you know, with entering with an agreement to Pima, you know, Pima County to 1.2, and then after that, we're making payments to them, I'm saying why didn't we make payments then and how did we get the bill that we have now?

Ms. Aguirre: Well, Mr. Mayor, in my process of reconciling what we have here in our records to that jail settlement, we can pretty much account for all the bill that we received, whether they went unpaid or not. To provide more detail as to what the finances were, that would require a whole lot more investigating. But they appear to be legitimate.

Mayor Green: No, I'm not saying that, I'm not saying that the bills aren't legitimate. I'm saying if you receive a bill and the, coming to the City, and we just set it aside and nobody's calling the City, meaning the County, then we have a, you know, and they're being allowed to do whatever they did. What did they do with the money? That's the question. That they had to pay this bill, but they didn't pay it. But the money was there.

Ms. Aguirre: And so, Mr. Mayor, it would be looking at those financial statements. Financial statements from that time to see whether or not they ended in the red or not at that time. Because had they wound up in the red at that time, during those particular years, then that would have meant they didn't have money to pay for those jail bills.

Mayor Green: Just, Mr. City Manager, if we can, if we can take a look at that.

Mr. Molina: (Inaudible).

Mayor Green: Go ahead, Mr. Patino.

Councilman Patino: Nothing.

Mayor Green: Okay. I'm sorry. Go ahead.

Ms. Aguirre: Okay. So, that would be one option. Another option would be to impose furloughs or unpaid holidays for employees, which are things that have already been done in the past as well. And option 13 would be to explore alternate ways of providing municipal services for less. Now keep in mind that we're looking to bridge a gap of \$624,000. The biggest, or the area that we can't really do anything about, remember from our budget, was the fixed costs. That's our utilities, our bond payment. We can't do anything with that just yet. The cost of fuel, things of that nature. Things we can't cut. And then our discretionary is only 5%. So here is your distribution. You may recall 62%, 33% and 5%. Here's how it breaks up by department. And it gives you the total budget for each department. It also gives you a percent of what that department's budget makes up. All of Administration put together is \$711,000. This is all of Administration. City Manager, which has one person in there; the City Clerk; H.R., which has two people in there; the Finance Department, which has three people; and Development Services, which has three people, although the budget was for four. So you may have, should you choose to fill that position or leave it unfilled, that could be a potential savings. But it's all laid out for you here. Another thing I should point out is City Administration is very stretched. If you walk into the, through the front, you may see, you might not see anybody. There's very few people on the roster. It's these people right here. Then there's the Magistrate Court. There's four people there. There's one part-time position that has not been filled yet. And that's for minimal entry level. And then we've got our Public Safety here. We've got Police and we've got our Fire. These are our two largest departments. Police comprising \$2,000,000 and Fire comprising \$914,000. Here are the positions that are currently filled, as well as the positions that are vacant in those departments, as adopted through the budget for '17. Another thing that I should point out here that makes these departments different from the rest is they have Reserves. So based on the budget that was adopted for fiscal '17, the Police Department received 2,900 hours for Reserves. And the Fire Department received 29,900 hours for Reserve. Now, you should notice that the Fire Department is currently hiring three people. That's only three full-timers. The rest are the volunteer firefighters. When we look at staffing requirements, for the Police, I put N/A, only because a City Manager or a Police Chief might look at different ways to filling those positions or staffing level. I know some City Managers base themselves off of population, while others base themselves off of the needs of the community. So, I put N/A. For the Fire Department, in dollars, this is essentially what is required for two people to take care of just medical. The need for that would be, cost of a paramedic reserve is \$259,000. Now to fill it with four people, which is the requirement for fires, that would be the remainder. Of course, the Administrator is included in here, but we just take that out, but you could see what the difference is. And we've got a bunch of, well, not a bunch but (inaudible) departmental in which we include our health insurance, our property and casualty insurance, the big ticket items in non-departmental. We've got our IT. That's contracted out already.

Mayor Green: I have a question for you. In going up to Police, on the Reserve pool hours, it's 2912. And you said this is as of FY'16?

Ms. Aguirre: Yes, Mayor. So the budget was adopted with 2,900 hours.

Mayor Green: Okay. And, okay, and we're short three and a half officers? And then we lost three other positions, right?

Ms. Aguirre: So, going back to Police, these positions ...

Mayor Green: Are the ones that are currently there right now.

Ms. Aguirre: Are the ones that are currently there right now.

Mayor Green: Right.

Ms. Aguirre: But I can only speak to what was adopted for '17, based on the revenues that were available in '17. So if there was no other money available to carry forward any other positions that were on the roster but unfilled at the time that the budget was adopted, then essentially it gets adopted with what the budget can support.

Mayor Green: I understand, but what you're saying or not trying to say, is that in order to balance the budget, we balanced it on the back of not hiring three officers. And we're continuing to balance the budget on the fact that we've had three officer positions vacant for almost a year, and you have 2,912 in Reserve time.

Ms. Aguirre: Well, Mr. Mayor, members of the Council, could you say that? Perhaps. But you could also say that for the other departments. Like the Finance Department that previously had five positions. Or the City Clerk's Department who had ...

Mayor Green: No, no, and ...

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

Mayor Green: ... I understand ...

Ms. Aguirre: ... two.

Mayor Green: ... that. I understand that. Okay. Are we ...

Ms. Aguirre: So I think ...

Mayor Green: ... (inaudible) ...

Ms. Aguirre: ... basically it's a reassessment on the part of the Manager and the Police Chief of what the needs are.

Mayor Green: A two year reassessment?

Ms. Aguirre: Reassessment of, and perhaps the expert on the matter could speak to that, what the requirements, what the needs are at the time.

Mayor Green: I mean if the Chief wants to talk or if the City Manager would like to talk, I'd like to hear it.

Chief Ford: Sure.

Mr. Molina: I'd like to address that. Mr. Mayor, members of the Council, we recognize that there are some vacancies in the Police Department. The Police Chief and I recently sat down and reviewed most of the applications and there were some applicants that were highly questionable. There was integrity issues associated with those applicants. And along with the integrity issues comes the liability that goes with it. And we don't want to go there. We're continuing to review applications to fill some of those positions because it, frankly, critical need.

Mayor Green: Right.

Mr. Molina: We have, you know, nobody wants to have an officer's blood on their hands and we recognize that. But by the same token, you don't want to hire the wrong people because in the end, there's a price to be paid for that. And so we're continuing to solicit applications from different people that would be, that would serve this City the best. But those positions will not go unfilled because we have good applicants. They're going unfilled because the applicants that we have are questionable.

Mayor Green: Okay. But how long have, when was the last time they accepted applications? How long were the applications there versus a timeline? I mean we're looking at, when was the last time we hired officers?

Chief Ford: I can answer, Mr. Mayor, City Manager. When the budget was adopted last year, there was one position that was available.

Mayor Green: Right.

Chief Ford: The other two positions, the 2.5, were not actually available until December of 2016. So based on the budget that was adopted last year, didn't make any provisions for any other positions before that. And that is the budget that was approved by Mayor and Council.

Mayor Green: Right, but ...

Chief Ford: So we started this fiscal year with one.

Mayor Green: With one, you're up to three. Now, and, yeah, I'm just trying to calculate. But what did you have in the last FY, going into, before the budget was adopted?

Chief Ford: Well, that, ...

Mayor Green: What was ...

Chief Ford: ... that ...

Mayor Green: ... the, what was the shortfall?

Chief Ford: That, that's actually not even, I mean what we're looking at is what I choose to work with, is the budget that you approved. (Inaudible) ...

Mayor Green: No, ...

Chief Ford: ... (inaudible) ...

Mayor Green: ... (inaudible) yeah, and I understand ...

Chief Ford: ... (inaudible).

Mayor Green: ... that. If it was a funded position and we did away with a funded position.

Chief Ford: With a baseline budget, we would not have been able to support (inaudible).

Mayor Green: Okay. I want to, I'm going to look into that, yeah, I mean I, I'm just, and I'm not, I'm just saying we need to get officers out there. It's gotten critical. I mean there ...

Chief Ford: (Inaudible).

Mayor Green: ... (inaudible).

Chief Ford: And Mr. Mayor, Council, I can fill as many positions as you can budget for. But that's why this process is so crucial.

Mayor Green: No, and, no, and that's fine. I, I understand. I'm just saying that, you know, I understand the limitations you're under, but I also understand the limitations and the service that we have to provide to them. And that, in retrospect, we have to understand that, you know, we cannot continue just running the engine at full speed. You know, things are going to give, you know, they're wear and tear and that's what's happening. Your officers, you know, the officers are getting worn and torn down. You know, and that, you know, speaking from experience in the military, when you go at 100 miles an hour constantly without the, you know, required breaks, morale starts suffering, issues start coming up, you know, infighting, everything happens. I ...

Chief Ford: Mr. Mayor, ...

Mayor Green: ... saw that.

Chief Ford: ... Council (inaudible) the entire City is running like that.

Mayor Green: Exactly. And that's, that's what we're (inaudible).

Chief Ford: And my office, my position, what I do, at one time there was an Assistant Chief, there was a Deputy Chief, there was a Commander, there were Lieutenants, so I mean the entire operation is skeletal. I mean that's just a fact.

Mayor Green: Well, yeah, ...

Chief Ford: And it's based ...

Mayor Green: ... but ...

Chief Ford: ... on the budget.

Mayor Green: And it's ...

Chief Ford: So it's not based ...

Mayor Green: ... based on ...

Chief Ford: ... on will or desire.

Mayor Green: Oh, no, exactly.

Chief Ford: (Inaudible) not wanting to fill them. It's based on the fact that this is what the City's financial situation is.

Mayor Green: Right. But we have the money now, and hopefully we can get the individuals brought on.

Chief Ford: We actually have money until July, and then after July, we don't know that we have that money. That's why the decisions that are made here are so crucial.

Mayor Green: Right. But ...

Councilman Patino: But either way, we're still in a deficit.

Mayor Green: Yeah, and we're going to be in a ...

Councilman Patino: We're going to ...

Mayor Green: ... deficit but we're ...

Councilman Patino: ... be (inaudible) ...

Mayor Green: ... going to have, huh?

Councilman Patino: We're still going to be in a deficit.

Mayor Green: Yeah.

Chief Ford: But the decisions that are going to be ...

Mayor Green: No, but those ...

Chief Ford: ... made ...

Mayor Green: ... positions are already funded, am I correct?

Chief Ford: Till, until July.

Councilman Patino: Until July.

Mayor Green: Well, I mean so ...

Councilman Patino: So how are you going to, ...

Mayor Green: ... (inaudible) ...

Councilman Patino: ... how are you going to get three officers and start 'em up and then cut 'em off in July?

Mayor Green: Well, and I understand that, but if we're working on that principle, then we won't hire anybody and, and say, how can we work, you know, because it's year to year. The budget is a, it's a living document. If half of South Tucson burns down, and all the businesses burn down, then, you know, we can't ...

Chief Ford: Mr. Mayor and Council, I mean I don't dispute that, but in that menu of options, that's why those decisions have to be made to support the things that you want to support in the budget. If you want to support additional officers, if you're considered about morale and manpower, ...

Mayor Green: Well, no, it's not so ...

Chief Ford: ... the decisions that ...

Mayor Green: ... much, it's ...

Chief Ford: ... you make to support those operations.

Mayor Green: Right, and it's not so much the morale and, that, that, I'm not saying that that's not important. I'm saying the safety of the City in order, and this is my overlook at, at it and is that if you want businesses to come in, they have to feel that they're safe, that there's a sense of safety, a sense of police response and police presence. And that, with that in mind, the criminal element leaves. You know, if you work closely together with the Courts. That's, you know, that's how it works. Nobody is going to come in and see, and try to establish a business if they don't see the police and they, they see that the crime rate is up and whatever. I mean, and we already have that stigma, so ...

Chief Ford: Okay. Duly noted, Mr. Mayor, but I have to pay the officers.

Mayor Green: Exactly. And, you know, that's, we have funded positions now. So we're not going to hire anybody because we can't pay 'em in July?

Chief Ford: No, haven't, haven't said that, Mr. Mayor. What I'm saying is is that the reason the Finance Department is here to present to you today so you can look at the menu of options ...

Mayor Green: Right.

Chief Ford: ... and make decisions to support the things that you want to do. So, if that's the path that you want me to follow, I'll work with the City Manager. We'll follow that path. We'll hire those positions. But things can't remain the same in the rest of the budget. Things have to be decided ...

Mayor Green: Oh, under-, ...

Chief Ford: ... (inaudible) ...

Mayor Green: ... understood. There's, ...

Chief Ford: ... (inaudible) ...

Mayor Green: ... yeah, ...

Chief Ford: ... (inaudible) so that when we hire the officers (inaudible) get to August and it comes time to make payroll and we can't make payroll, that's ...

Councilman Patino: Right. That's, ...

Chief Ford: ... (inaudible).

Councilman Patino: ... that's what I'm trying to say, you know. What are you going to eliminate for these three officers?

Mayor Green: Well, I mean, that's, we'll cross that bridge when we get to it.

Councilman Patino: Well, you can't cross that bridge 'cause if you don't, although you have the money now, but if you don't have it then, there's no use in trying to bring in something in right now because there's no use in a person being here just four months.

Mayor Green: Yes. Yeah.

Mr. Molina: I'd like to say something. Part of the reason, as I mentioned before, that officers are not, haven't been hired is because probably we're being picky and that comes from me. I've been in this situation before that the Chief is in now where you have an obvious need for officers. My position then and my position now is you have to pick the right people. There's plenty of good people out there, we just have to find 'em. We have to shake the bushes. Some of these retired officers, you know, can come out of retirement and want to work for us, which would be a good thing. They come ready to go. It's like a, a computer. They've already got a lot of corporate knowledge behind 'em. We can also hire brand new officers right off the street, the 21-year olds, send them to the police academy. That's costly and it takes time. We don't have that kind of time. I realize that we're not hiring as quickly as we'd like to, but that's because we don't want to hire the wrong people. If we do that, in the long run, that will grab us and bite us like it has every other agency. You probably heard the U.S. Border Patrol has a mandate to hire, I think, 5,000 border patrol agents. And they're reducing their ...

Mayor Green: Polygraph.

Mr. Molina: ... qualifications. When they did that before, they ran into a problem. At the Tucson Police Department, they did something similar. They actually demanded that officers that applied have a college degree. That didn't work out either because a lot of them didn't have the street experience and the common sense that goes along with needing to be a person. I can, will commit to you that we're going to move as quickly as we can. But by the same token, we're going to work to hire the right officers that we think would do the best for the City of South Tucson.

Chief Ford: Mr. Mayor and Council, I just want to reaffirm that I am completely for hiring the 3.5 positions that we have available. I'm for hiring five positions, if you make that money available. I'm for hiring ten positions if you could make that money available. But I can only work with the budget that you give me.

Councilman Patino: (Inaudible).

Mayor Green: Right. But going with, and thank you, I'm sorry. It, yeah, and it's, talking to the City Manager, with these, with what you just said going on, would you say you wouldn't hire or you would hire, knowing, you know, that we're this late in the year? I mean will you, you know, take the stand that Mr., you know, Councilman Patino has?

Mr. Molina: I think there is, in that regard, there's, there's officers out there that can put on a uniform and work for us, even if it was for a few months. Because they would, they're already retired from other agencies. So they would be taking a chance, but for them it would be a win-win situation. If they got to work after July, that would be good. And if they didn't well, they probably don't favor that option but they could go along with it without a significant hardship. There's people out there, we just gotta shake the bushes, keep shaking the bushes.

Mayor Green: Yeah, because those 3.5 positions are already funded, I understand. Am I correct? This year.

Chief Ford: Yes.

Mayor Green: Okay. So what would keep it from, and I understand the make-up of that, but do we ...

Chief Ford: (Inaudible) ...

Mayor Green: ... actually ...

Chief Ford: ... Mr. Mayor, ...

Mayor Green: ... pursue ...

Chief Ford: ... it's also the associated cost of ...

Mayor Green: Yeah.

Chief Ford: ... processing for the positions and being able to do that. I've also been in the process of negotiating some pro bono background work so that we can get that done to save an additional cost because there's an associated cost with bringing officers on. There's also going to be an associated cost towards what our bottom line is with the work (inaudible) is and what (inaudible) and all the other things that help a police department run. So, I mean those things are factored in the budget, but where it becomes crucial is when we're planning for this next fiscal year. We have to have some perspective on what it is that we're going to do because I want to make sure that we fulfill the commitment that we've made to the staff that we have now, the people who have agreed contractually to come on and provide a service to us where they come out and they protect the public and they risk their life. We've made a commitment to them. They've fulfilled their part of it and I want to make sure that, as an Administrator, that we fulfill the commitment to them which is that they signed on to get their pay, they signed on to get their retirement, they signed on to get their benefits, to make sure that we don't create such a, a vacuum where it squeezes staff, where we're looking at furloughs, where we're looking at unpaid holidays, where we're going back to people getting no paid sick leave because two years ago when I came here, that's the situation that the officers were in.

Mayor Green: And I am fully aware of that. I lived it since 2000.

Chief Ford: And so I'm for growth, but I'm for sustainable growth. And I'm for, for doing that responsibly so that we maintain the commitment to people that we're considering to hire and the commitment that we're making to people that are already working here. So I think, I think there's a pathway to do that. It's a narrow pathway, but I think it's do, I think we can do that responsibly and get the services that we need.

Mayor Green: No, and that's, and I agree with you. I agree with you. It's, that's a position you're standing on and I, and I agree with your position. I just have to look at it at another level. If you're saying, "I haven't hired because I, because I want to avoid this," you know, the furloughs, and the paid time off, and, you know, whatever, okay. What I'm looking at is that we still have that obligation over there and we had it at the beginning of the year. We had the funds for this posi-, for these positions.

Chief Ford: We had one position available during that time. The other two positions ...

Mayor Green: Okay. But how many positions, in the past two years, have you filled ...

Chief Ford: We filled ...

Mayor Green: ... versus how ...

Chief Ford: ... (inaudible) ...

Mayor Green: ... many have been lost?

Chief Ford: ... (inaudible) fiscal year. I can't conjoin those, those two things together. This fiscal year started last July. As of last July, we had one position available. Right after that, we had two positions that, that were not available until December because those officers were actually still on the payroll until we got to a point where the things that were going on with them were (inaudible) in the middle of December.

Mayor Green: No, and that's understood. I ...

Chief Ford: (Inaudible) ...

Mayor Green: ... understand that. What has the attrition been in your ...

Chief Ford: I can, ...

Mayor Green: ... department?

Chief Ford: ... I can take the attrition rate over the past 10 years and it doesn't add up ...

Mayor Green: But ...

Chief Ford: ... to what it is that we're, it's not relevant.

Mayor Green: Okay. Okay. I understand, I understand what you're saying. I'll go ahead and pull those numbers ...

Chief Ford: So what we ...

Mayor Green: ... (inaudible).

Chief Ford: ... could afford in 2016 is not what we could afford in 2015, it's not what we could afford in 2014. And each subsequent year that I've been here, I've gotten less.

Mayor Green: No, and I, and ...

Chief Ford: (Inaudible) ...

Mayor Green: ... I, and I agree ...

Chief Ford: ... (inaudible) ...

Mayor Green: ... with you.

Chief Ford: ... (inaudible) ...

Mayor Green: I'm saying ...

Chief Ford: ... (inaudible) when I came here, there were 30 positions. Now we have 17, but that doesn't mean that we (inaudible) attrition. That means that we didn't have the budget to support it.

Mayor Green: Exactly. And that's what we're trying to figure out. That's what we're trying to figure out. And that's, you know, I'm trying to get down to the dry stacks as to why and how. You know, and ...

Chief Ford: (Inaudible) ...

Mayor Green: ... and I appreciate ...

Chief Ford: ... (inaudible).

Mayor Green: ... your input because, see, this is the conversation I want to have. This is the dialogue I want to have. I want to be, and this is the dialogue that we should have with the staff. I mean from all staff to this Council, saying this is the ugly truth and I'm going to tell it to you. Okay. Yeah, do I understand now? Yes. Why? Okay. Why you didn't fill 'em? Yeah, because the budget didn't allow it. Why didn't the budget allow it? Because of this, this, and this. I understand that. But then on the other hand, I'm seeing I can't, not hire the positions that I have available now on the pretense that I might lose them three months from now. Because if that's the case, then we lost the City.

Chief Ford: I just want to make sure that we plan ...

Mayor Green: And I ...

Chief Ford: ... (inaudible).

Mayor Green: ... understand that. And, and, you know, ...

Chief Ford: Especially ...

Mayor Green: ... and you're working ...

Chief Ford: ... when we're, ...

Mayor Green: ... (inaudible) ...

Chief Ford: ... we're talking about a, a deficit that, I mean if you look historically, if you want to look at historic data, the last time there was a \$500,000 deficit, that's when you had the layoffs and all the other things. And now we're looking at \$130,000 beyond that, and to think that services would remain the same, is not even a practical expectation.

Councilman Patino: Okay. Mr. Mayor, can we keep on going because this is just a Study Session.

Mayor Green: Well, that, that's the point of study.

Councilman Patino: And I understand that, but I mean we're just going back and forth over the same thing and it's not getting us into anything here.

Mayor Green: Okay. Not a problem. Go ahead.

Ms. Aguirre: So going on with the slide, I think it would be a benefit to you all to see what other cities and towns have done to provide affordable services. What I'm going to share with you is a chart that I prepared sometime last year when we were reviewing rates. And so it compares the City of South Tucson to about 24 other cities and what it is that they've done, what services they provide, how big their budget is, what their population is, that's the chart on top. The chart on the bottom actually comes from the League of Cities and Towns. And that's a full listing of all 93 Arizona cities. The ones at the top of that second page are the ones

that have not, they either have police or fire, or don't have both. So I think that this would be a good document for you all to review. This is just a demonstration of what other cities and towns have done to be able to provide services at a lever that they can afford, whether it means providing the service through a contract, or any other means. But this information on this spreadsheet here, this is obtainable through the League of Cities and Towns website. Anybody can get it. What you see on this sheet here is that of 93 cities and towns, approximately 1/3 of them have made that decision to either provide one service or the other. There have been some instances where they haven't provided either or. But this pretty much breaks it out for you. And it gives you an idea of, you know, where most cities lean towards.

Mayor Green: Okay. When you say contract out Police, have we taken, or, or even Fire, have we ran any numbers on that, what it would cost versus what it costs doing it ourselves?

Ms. Aguirre: No, Mr. Mayor, but if that were a direction that Mayor and Council wanted us to go down and gather information, we can certainly do that.

Mayor Green: Well, no, I mean that would have been nice to have on the spreadsheet where we can turn around and look at it and say, "Okay, this is what it cost, this is what it cost to contract," so we have a definite ...

Ms. Aguirre: So, however, without wanting to step on anybody's toes, we really rely on Mayor and Council to provide us the authorization to begin that kind of communication because ...

Mayor Green: (Inaudible) ...

Ms. Aguirre: ... it wouldn't be a matter of calculating on our side. We don't know what contracting out with somebody ...

Mayor Green: Okay.

Ms. Aguirre: ... else might cost us.

Mayor Green: Okay. No, I, I was under the impression there may be a table or whatever.

Ms. Aguirre: Oh, no. Unfortunately, Mr. Mayor, there is no table associated with this on the costs.

Mayor Green: Okay.

Ms. Aguirre: But that is certainly something that we could do, if you ...

Mayor Green: No, ...

Ms. Aguirre: ... all ...

Mayor Green: ... no, no, I thought maybe it would be interesting to see it, but, yeah, I understand that that's the last thing that we want to do is try to put something out like that that we're looking at contracting anything, I mean, right now because then rumors running rapid and, you know, so.

Ms. Aguirre: Correct. Yes, so, I mean certainly, Mayor and Council, if you want to consider, those are just some of the options. The City does not have many options. There's increasing revenues, or there's cutting expenses. But to cut your expenses anywhere, would really, I mean is there a way of providing a service, still keeping the service, just providing it a different way? That's why they refer to it, on that website, as these cities

not owning, not owning their Fire or their Police. They still provide the service, but that's by contracting out with other surrounding jurisdictions. But it's just not owning it. So you're still providing your community with the same service. You just don't have the big ticket that comes with owning it. And referring back to this right here, and that pertains to this comparison that I'm showing you here. Because for the most part, all cities and towns provide those basic, those very basic services that you see up here, the administration. Those are the departments that people, your residents, can actually come into and speak to and get business done with, and things of that nature. So, this is all for your consideration. Again, if you cut it this way, if you wanted to do away with all discretionary, that's \$280,000, but that would take away things that we need for operating; our paper, our printers, our pencils, our fuel, our vehicle repairs, those things. The fixed, that's things that we can't do anything about. We have to pay our insurances, our bond, our debt, payroll right here. And, I mean, it pretty much breaks it out as to how many people are employed. So, unfortunately, that's where it comes down to there really aren't that many options. So with that said, just a little recap, a little review, going onto the last page of this presentation, the Mayor and Council is required by law, as you all know, to adopt a balanced budget. A budget where expenditures are above the money coming in, or above your revenues, that's not acceptable. The timeline, and you may recall, two weeks ago I provided you all with a timeline in that presentation. The timeline is critical as well. Because that's going to allow us to comply with anything you want to implement in a timely manner, and still be able to bring you all to adopt the budget by end of June, okay, so that the City is ready going into July. Keep in mind the deficit elimination plan, you know, there's things we can consider; increasing revenues, cutting spending, and a combination of the both, with noted here are just a few of, a few that are available. I mean if you wanted to consider any increases in sales tax rates, or a half a percent, if that is what you would be interested in, then, I mean the math is pretty simple. You cut that 1% calculation in half. But I really wanted to provide you with as much information as possible because as our elected officials, you, since you're tasked with making decisions, it's fair to provide you with everything. Also, there are no available reserves or savings. We just looked at our cash flow and the money that comes in, it's just about the money that we pay out to pay our employees, pay the benefits that they are due, keep the lights on, our utilities running, just the essentials. There is no reserve. So, another thing I want to mention that failing to implement a sustainable solution will result in the inability to pay for day-to-day operations. So, failing to balance the budget is going to cause problems for, first of all, it's a requirement that the budget has to be balanced. But just keep in mind that when there's delays in implementing, money is lost. Whether, you know, money lost on the revenue side because the implementation has (inaudible) amount of time. So the more you push it out, the longer it takes for the money to come in. And for savings, the same can apply. The longer it takes to implement any savings, or any plans on whatever Mayor and Council decide to do on the expense side, that could also cost money for failing to implement in a timely manner. And so, perhaps, we should be able to come back within two weeks or so. I think the next regular scheduled meeting might be April 10th, sometime mid-April. So Mayor, if you decide to have us come back at that time and then give us some guidance, the Mayor and Council, after having reviewed this information, as to what you would like to see, if you would like to see anything else, or provide us with authorization to proceed with any of these options.

Mayor Green: Any questions?

Councilman Cantu: I think that's a great idea to come back in two weeks. We need to find out a way to generate some revenue for the City. I guess the only way that we can do that would be from increasing taxes, whatever we need to bring in. I'm not too fond about cutting, you know, because I don't see the possibility of, we're down to bare bone already, you know, for operations of the City and the need for the Police Department to operate the way it needs to operate (inaudible). We need to provide the service to the community. And the Fire Department, too, so I, I think, I am for trying to find a way to increase revenue through the means of the percentage of taxes that we need (inaudible) out there. It's not that we want to, but just probably the only way that we might have a solution for the problem. Because we're already short, we're already short everywhere (inaudible). It's not like we have the luxury of having extra police officers or extra this or that on the departments that we need to maintain strong for the best service that we can provide for the community. But I, I would probably suggest that we might get together and Council, Mayor and Council, and see where we can

work something that, that can help us get above, or at least to start getting the money that we need for operations. Maybe in the long run, start saving some money because we need to address the, the deficit, the bid deficit that we have already. But I would give this to the rest of the Council body and the Manager, and see if we can work something out that way. It's just a suggestion. But I think we need to do something about it. And even though we, we wouldn't like to increase taxes, but if we have to, we have to.

Mayor Green: Any other questions or comments?

(No questions from the Council)

Mayor Green: City Manager.

Mr. Molina: Mr. Mayor, members of the Council, I just want to thank all of you for asking the tough questions today. I can assure you that City staff has been working on this budget diligently, trying to find some answers, some common ground, a win-win situation. They're continuing to work with the best financial planners, I think, in the country to try to find other alternatives in dealing with this budget. And I trust that we will have a balanced budget come the new fiscal year. It may not be easy, but we will put all the options possible on the table for your consideration. I appreciate the tough questions (inaudible).

Ms. Aguirre: Mr. Mayor, members of the Council, I'd also like to add that as we move forward, it may be necessary to have more frequent Study Sessions in order to be able to move along, address any of your questions, concerns, your input. You know, take it back, draw calculations, or investigate, bring it back to you, all so that we can meet our deadlines. And what I passed out to you right now is the detail of what makes up that deficit. Okay? So department to department on the expense side, and then there's a personnel roster on the back that indicates all the positions that are included in the budget, as well as those positions that are vacant. So, it's all here for you. And coming back during the next regular meeting in April, I hope to have a better picture of where the City sales tax is coming in at, including this first quarter with the new sales tax increases. Because there was already an increase in sales tax this fiscal year, earlier in October. So, the money is barely coming in and we want to see how it's coming in. If it's coming in at the level that we projected, or if it's coming in lower, because that could certainly have an impact on what we see going forward.

Councilman Cantu: Just a final comment on what the City Manager was saying about the hiring of extra officers and all that, I am with him on that, that we need to, we need to find, find people to do, but not to rush to hire, I mean to hire people just to hire, to cover what we need, but we need to look into the quality of the personnel who we're going to hire. And, so I just thought I'd mention that, that I think it's, that's a good idea, Mr. Manager.

Mr. Molina: Thank you.

Councilman Patino: Thank you, Lourdes.

Mayor Green: Thank you.

Ms. Aguirre: Thank you all for your attention. I know it was a lengthy one.

Mayor Green: Any further questions?

(No questions from the Council)

Motion by Councilman Patino to adjourn the Study Session and reconvene into Regular Meeting. Seconded by Councilman Cantu. Motion passed unanimously.

ITEM #09 – REPORTS

None at this time.

ITEM #10 - ADJOURNMENT

Motion by Councilman Patino to adjourn the Regular Meeting. Seconded by Councilman Cantu. Motion passed unanimously. The meeting adjourned at 7:42 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 27th 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