

Minutes of the Regular Meeting of the Mayor and Council of the City of South Tucson, Arizona, held Monday, June 26, 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
Robert Larribas
Oscar Patino
Anita Romero
Carlos Romo

Staff Present: Sixto Molina, City Manager
Veronica Moreno, City Clerk
Lourdes Aguirre, Finance Director
Marilyn Chico, Housing Director
Angel Lopez, Public Works Director
Kevin Shonk, Acting Police Chief
Bobby Yu, City Attorney

Call to Audience: Arlene Lopez
Rita Rogers

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, who was excused.

ITEM #05 – CALL TO THE AUDIENCE

Mayor Green: State your name and address, please.

Ms. Lopez: Good evening. My name is Arlene Lopez. I live at 240 West 34th Street. I am a lifelong resident of South Tucson. And Mr. Mayor, members of the Council, and City Manager, La Capilla Neighborhood Watch Group meets every second Thursday of the month at the House of Neighborly Service. We have from 20 to 30 people who show up at our meetings. Our members were shocked and upset to hear that our Police Chief, Michael Ford, was let go. Chief Ford responded to our concerns, was a wonderful mentor to our group, and to our youth, and was a great person to work with. Mayor and Council, this past week has been a real eye-opener for all of us. This was a wake-up call to this community to get involved. So in the future, we will be paying more attention by attending meetings and being involved. We hope that we can count on all of you to listen to our concerns, have a chance to voice our opinions, and in return, inform us in a timely manner of important actions you are taking that affect our community. We are willing to be involved in the process of choosing a new Chief, if necessary, if we are given that courtesy. These are critical times for all of us. Your role as City Council, as elected officials, is a very important one. Whatever actions are taken by all of you and your City staff, will have an impact on our lives and on the future of South Tucson, whether negative or positive. We must all work together for the common good, and create a

more cohesive environment for everyone. Thank you. This is from La Capilla Neighborhood Association.

Mayor Green: Thank you.

Ms. Rogers: Rita Rogers, 305 East Benson Highway. Mayor and Council, I have ten things, I'm only going to do one. But I do not consider this Council helpful to the City. In general, I have attended more meetings than a lot of the Council members. Here, you count to four and we elected seven Council members. And you get a stipend to be here. I'm here, not on a stipend. And I have read the Chapter 3, the Job of the Council that you all should have memorized by now. And it doesn't say, "If you'd like to show up, it's good. And count to see who's coming or not," etcetera. It says, "The Council shall attend the meetings that are scheduled for the people." So my concern is that if you do not have Chapter 3, the Job of the Council, I can give it to Veronica to run off for you. But having been chairperson of the Vail School District for seven of nine years, I know the open meeting laws. I already called Phoenix, they're not being followed. And also, the Job of the Council is not being followed. But please resign if you cannot be seven people here. And above all, if you have emergencies, remove your stipend. We do not pay people to not attend. Thank you.

Mayor Green: Thank you. Anyone else?

(No response from the audience)

ITEM #06 – APPROVAL OF MINUTES: REGULAR MEETING JUNE 12, 2017

Motion by Councilman Larribas to approve the minutes of the Regular Meeting of June 12, 2017. Seconded by Councilman Cantu. Motion passed unanimously.

ITEM #07 – PUBLIC HEARING ON PROPOSED BUDGET AND PROPERTY TAX LEVY FOR FISCAL YEAR ENDING JUNE 30, 2018

Mr. Molina: Mr. Mayor, members of the Council, this item here is in regards to the tax levy. And the Finance Director will explain what this measure is, what it will do, and why.

Ms. Aguirre: Good evening, Mr. Mayor and members of the Council, the public hearing is standard procedure. It's one of the requirements by law to hold prior to the adoption of the final budget. During this process, the public hearing is also held regarding the primary property tax rate and so any people from the community who wish to come forward and have any comments on the budget, or the property tax rate, are welcome to do so at that time.

Mayor Green: Hold on for a minute. I believe that we have to, I thought it was an agenda item. It's more of a public hearing, so we have to adjourn from Regular into a Public Hearing. Sorry about that. Let's go ahead.

Motion by Councilman Larribas to close the Regular Meeting and enter into Public Hearing. Seconded by Councilman Cantu. Motion passed unanimously.

Ms. Aguirre: Mr. Mayor, members of the Council, as I was mentioning, this is a requirement by law. It's just to open up the floor for the members of the community to come and speak on the budget and the primary property tax rate. The budget is being adopted this evening at 8.4 million dollars, that's combined General Fund and restricted, which is what is made up of federal grants as well as any like HURF, such as Highway User Revenue Funds. So the amount on that is 8.4 million dollars. And the primary tax levy is for \$.2487 per \$100 valuation. It is slightly lower than the rate currently in place right now, which is \$.2527, I believe. The reason for that is that constitutional limits do not allow cities to collect more property tax than they did in the previous year, and so because property values went up slightly, the rate had to go down slightly. So that's the reason behind that.

Mayor Green: Okay. Anybody in the public would like to speak on behalf of the, or on the public hearing on the proposed budget and property tax levy? State your name and address, please.

Mr. Diaz: My name is Paul Diaz, 2026 South 8th Avenue. And I oppose both the proposed budget and property tax levy. Thank you.

Mayor Green: Thank you. Anyone else?

(No response from the audience)

Motion by Councilman Larribas to close the Public Hearing and convene into Regular Meeting. Seconded by Councilman Cantu. Motion passed unanimously.

ITEM #08 – ORDINANCE NO. 17-01 RELATING TO TAXATION: FIXING A LEVY FOR THE CITY OF SOUTH TUCSON UPON THE ASSESSED VALUATION OF THE PROPERTY WITHIN THE CITY OF SOUTH TUCSON SUBJECT TO TAXATION IN A CERTAIN SUM OF \$.2487 UPON EACH \$100.00 OF ASSESSED VALUATION SUFFICIENT TO RAISE THE AMOUNT REQUIRED IN THE ANNUAL BUDGET FOR THE YEAR ENDING JUNE 30, 2018; THIS ORDINANCE SHALL BE EFFECTIVE IMMEDIATELY UPON ITS PASSAGE

Mr. Molina: Mr. Mayor, members of the Council, we're recommending that Mayor and Council approve the property tax levy of \$.2487 per \$100 valuation.

Mayor Green: Okay. Anything?

Ms. Aguirre: No, Mr. Mayor, members of the Council. There is nothing else I would like to add to that.

Mayor Green: Okay. Could you tell me and the public what exactly the levy is for? It's, it's in place right now, has been in place for how many years? Every year, right?

Ms. Aguirre: Yes. Mr. Mayor and members of the Council, this levy has been in place for decades. And this is actually the maximum that could be levied according to the State. There, if it were to raise any higher, even by a cent, then there would have to be a process that the City would have to go through called Truth in Taxation, in order to adopt a higher primary property tax rate. And the amount

of money collected from that property tax rate, I know that all the community, property owners received their tax bill from the County. Out of all those lines that are billed, it's simply one line item on that bill for about 25 cents, I'm rounding up, and the sum of all taxes from that collected here in the City is \$51,000.

Mayor Green: Okay. And this tax, or this tax rate, you said, is lower than last year's?

Ms. Aguirre: Yes, Mr. Mayor, it is slightly lower than last year. The reason for that is that as I previously mentioned, there are constitutional limits that prevent a city or town from collecting more money than what was collected in the previous year. And so because there was an increase in property values, the rate had to go down a little bit.

Mayor Green: Okay. So you would say that this was adopted by the previous administration and the previous Mayor? The same tax?

Ms. Aguirre: Mr. Mayor, yes.

Mayor Green: Okay.

Ms. Aguirre: The primary property tax has been in place for many, many years.

Mayor Green: Okay. All right. Any questions of the Council to the Finance Director or to the City Manager?

Councilman Larribas: I have a question. So this is an ongoing tax. Does it change anything from year to year, other than it's going to be lower? So this is something that's just a normal thing for us?

Ms. Aguirre: Mr. Mayor, Councilman Larribas, yes, it's pretty standard procedure. All cities and towns do it. Primary property tax, that's what the State allows cities and towns to collect. And like I mentioned, there are statutory limitations that need to be adhered to.

Councilman Larribas: So this tax this year, it's not going to affect anybody any different than last year, other than less?

Ms. Aguirre: Mayor, Councilman Larribas, no. No, if anything, the same amount should appear on the bill. If not, a few cents less.

Mayor Green: I have one other question. So if we turn around and accept this, okay, we go as standard. It's just like day to day. What would happen if we didn't assess this, or approve it?

Ms. Aguirre: Mr. Mayor, then essentially, the budget would not be balanced. The budget would actually be short \$51,000.

Mayor Green: So ...

Ms. Aguirre: The General Fund budget.

Mayor Green: The General Fund which is what pays the lights and everything else. Okay.

Ms. Aguirre: And everything else, yes.

Mayor Green: Okay. Not a problem, just wanted to make sure that we clarify it to the audience the type of tax that this is. It's not a new tax. It's the same old tax that we've been working under.

Ms. Aguirre: Correct.

Mayor Green: Okay. Any other questions for the City Manager or to the Finance Director?

(No questions)

Motion by Councilman Larribas to accept Ordinance No. 17-01 on the taxation. Seconded by Councilman Cantu. Councilman Patino, nay vote. Motion passed.

ITEM #09 – RESOLUTION NO. 17-16 OF THE CITY COUNCIL OF THE CITY OF SOUTH TUCSON, ARIZONA, DETERMINING AND ADOPTING ESTIMATES FOR THE AMOUNTS REQUIRED FOR THE PUBLIC EXPENSE FOR THE CITY OF SOUTH TUCSON, ARIZONA; ADOPTING A BUDGET; SETTING FORTH THE RECEIPTS AND EXPENDITURES; THE AMOUNTS PROPOSED TO BE RAISED BY DIRECT PROPERTY TAXATION FOR THE VARIOUS PURPOSES FOR THE FISCAL YEAR 2017-2018

Mr. Molina: Mr. Mayor, members of the Council, the fiscal year 2018 final budget is being presented exactly as it was presented and published in tentative form. It has not increased or decreased in overall expenditures (inaudible) \$8,432,546 for fiscal year 2017-2018. Staff's recommendation is that the Mayor and Council approve the final budget Resolution No. 17-16.

Mayor Green: Anything from you, or questions?

Councilman Larribas: I have one. This, what we're looking at is the same as before, right? It's nothing different. We're not adding any more taxes on this.

Ms. Aguirre: No, Mr. ...

Councilman Larribas: This is just something that we're just, it's ongoing. It's not something that's going to increase the taxes to everybody here, anything like that?

Ms. Aguirre: No. Mr. Mayor and Councilman Larribas, I believe that it would probably be appropriate to do a slight review of the process in balancing the budget. So, at the beginning of the process back in March, there was maybe a total of four presentations that were held in a public setting in which everything was reviewed, including the anticipated deficit, which was almost, or just about \$600,000. What made that deficit up was a long list of what we call challenges; anything from sales tax loss, slight loss in sales tax revenues, increases in pension, which went up significantly, also increases in operating costs, especially for the police department because of the Anti Racketeering Fund having been depleted. So it was a long, long list, which was published. A couple of months fast forward,

things were presented as options, but not really options. Cities and towns always have, at their disposal, the ability to increase sales taxes. In the case of South Tucson, the sales tax is already high. The sales tax rates had been increased in fiscal year 2015, and in fiscal year 2017, as a means to balance the budget, and as the means to continue providing the services to the community at the same level to avoid any further reductions in staffing. For fiscal year 2018, and in balancing the budget, increasing the sales tax was just not reasonable. It was not a reasonable option. It had just increased. And there are other things that need to be done for other options, such as taking them to a vote. Cuts in spending were explored and as a result of going down that route, what was done to balance the full six hundred, almost \$600,000 was the unfunding of a position in the Planning Department, unfunding of a part-time Court Clerk position, the unfunding of a part-time Fire Chief position, as well as the unfunding of one sergeant position in the Police Department, one officer position in the Police Department, and the reduction in staff in the Fire Department. Typically, each crew would run with four men per crew, so that was scaled back to three men per crew. The sum of all of that equaled just about \$450,000 or so. So that was close but not the full \$600,000 of the deficit. What really, really helped the City as the measure that was provided by the Public Safety Personnel Retirement System, allowing cities and towns to extend the pay-off period, or what's called the amortization period for paying off of the liability or what is owed for pensions, from twenty years to thirty years. And that allowed for the contribution rates that are paid for Fire and Police personnel to be reduced to a manageable level that allowed for the balancing of the budget for next year. So, that was the long story. And in short, there was no increases in any taxes.

Mayor Green: Okay. Thank you. Any questions?

Councilman Larribas: Okay. So if there's no increase in taxes, what are we looking at on this budget? What are we looking for, that we're trying to pass here? Are we, if there's no taxes that we're asking for on this one here, what are we, what are we looking to pass?

Ms. Aguirre: So every year, Mr. Mayor and Councilman Larribas, if I may, every year during the budget process, there's multiple working copies of the budget. Once the budget gets to a balanced state, the law requires that it be published in what is called a "tentative form" for Mayor and Council to approve. Okay. And this is the operating budget for the whole City for the year, all of the costs that the City anticipates in paying for personnel, for utilities, all the expenses, okay. What's included in here is also all the revenues to offset those expenses. So, this one was already adopted in tentative form on June 12th. It was published for two consecutive weeks, just like it's required by the law. So this, right here, is pretty much your final budget. So this, right here, is what is put out on the website and also it's distributed to all department heads for them to use throughout the course of the year.

Mayor Green: So, basically, the only thing we're looking at doing is, going back to your point, is actually approving the cleaned up copy of the one that we actually approved for her to clean up and make all the corrections and give it to us in a actual clean form with all the t's and i's dotted and crossed.

Councilman Larribas: Is this what they're going to work with then?

Mayor Green: Yes, that's the finished product.

Councilman Larribas: Oh, okay. So it's not the budget that we're going to have like with (inaudible)?

Mayor Green: No, no, no. That's all, that's all combined. It's all combined. Okay. So, any other questions to the Finance Director?

(No questions from Council)

Motion by Councilman Cantu. Seconded by Councilman Larribas. Motion passed unanimously.

ITEM #10 – RESOLUTION NO. 17-17 OF THE MAYOR AND COUNCIL OF THE CITY OF SOUTH TUCSON, ARIZONA, APPROVING, RATIFYING AND ADOPTING THE INTERGOVERNMENTAL AGREEMENT (IGA) BETWEEN THE CITY OF SOUTH TUCSON, ARIZONA AND PIMA COUNTY RELATED TO PAYMENT FOR THE INCARCERATION OF MUNICIPAL PRISONERS, AUTHORIZING THE MAYOR OF THE CITY OF SOUTH TUCSON TO EXECUTE SAID IGA

Mr. Molina: Mr. Mayor, members of the Council, each year we have to enter into an agreement with Pima County Jail to provide the jail services for prisoners incarcerated by the police department. So their new 2018 jail agreement calls for approximately a 5% increase in the daily incarceration rate, which if applied to last year's rate, would amount to about \$10,000. That amount has already been factored into the budget that you just passed. I can tell you that we will be taking steps to decrease the number of incarceration days at the jail in order to further reduce and try to (inaudible) this jail budget so that it's commensurate with a city this size.

Mayor Green: Do we have any questions?

Councilman Patino: I still say that the prisoners should pay their own bills, not be billed to the City. That's why we have such a high bill right now. So I would vote no on it, just because the City is just getting into a deeper debt with the County.

Mayor Green: I do believe that the Court is supposed to tack on the expense. Am I correct? If they're found guilty. Mr. City Attorney?

Mr. Yu: Mayor and Council, the Judge has been requesting that. The Judge has been imposing that as part of the sentence.

Councilman Patino: But imposing and getting are two different, two different things.

Mayor Green: It's understood, but the problem here is if they're found to be indigent, there's rules by the State that says indigents can't be, you know, so the City has, has the liability. Do we have a liability that, greater than what I believe we should? I believe we do. You know, but that's something that the Court has been, and will be working on. But this is just a budget to work with so we set funds aside. So, okay. I understand you took your vote but I will do it anyways. The, in order to reduce, and I do have a question, and it's more towards the City Manager and to the City Attorney, is that in order to reduce the cost of doing business with the, you know, with the jail, individuals that have outstanding warrants in the City of South Tucson that are older than, you know, three, four years, or two years or whatever the case is, they need to look at quashing 'em because what's happening is that there's individuals that have committed crimes here, had a, you know, missed a court date and a

warrant was set aside. At that point, they're caught on Oracle and River for shoplifting and everybody's hurting in the same area as we are, the jail bill, so what they do is they'll cite 'em, release 'em on the misdemeanor charge of theft, or petty larceny, and then turn around and arrest 'em under the City of South Tucson in order to get 'em out of their area, so that's what will happen is they cite 'em, release 'em, still handcuff 'em, and put 'em in. So, you know, Chief, am I pretty much correct on that one? I mean the process, if somebody comes across one warrant from another jurisdiction, in order to save money.

Mr. Yu: It's a common practice in all police departments, ...

Mayor Green: Okay.

Mr. Yu: ... pretty much.

Mayor Green: Thank you. Okay. So I'm saying you need the Courts to look at those that we know are just, we're never going to get anything. But we still have that liability on the people. You know, just quash 'em so in case they do get run, or run into a law enforcement outside of the City of South Tucson, you know, they get pulled in on their dime, not ours. City Manager?

Mr. Molina: Mr. Mayor, members of the Council, what you bring up is absolutely correct. The City currently is working on some guidelines in order to quash some warrants. We (inaudible) research with other municipalities to ensure that we don't overlook anything in that process with regard to how prisoners are booked. The rules have changed over the years, having been a law enforcement officer starting 45 years ago, those policies have changed. It appears that the changes have come about in order to pay the jail bill. And what I'm talking about is 30 years ago, even 20 years ago, if you arrested somebody on a felony and misdemeanor, you would book only on the felony, not the misdemeanor charges. If you arrested somebody for two misdemeanors from different jurisdictions, you would book those individuals on both charges at the same time. Evidently, now, if you book on, for example, a South Tucson charge, you only book on that South Tucson charge. And then as the person posted bond to get out of the South Tucson charge, and that person had charges from another jurisdiction, the jail would tell you, "Well, now that you posted South Tucson bond, now we're putting you in jail for say, the City of Tucson." To me, that's simply to generate revenue. It's not helping anybody. And we're doing a lot of things in the criminal justice system for all the wrong reasons. And that's recognized throughout the country and you'll probably, in the near future, hear about some reforms about incarceration, or incarcerated people. But the long and short is we're going to make some changes to reduce (inaudible) jail days in order to reduce our jail debt.

Mayor Green: Okay. Go ahead.

Acting Chief Shonk: Mr. Mayor, members of the Council, also, the Police Department of the South Tucson warrants that we've been getting here in South Tucson, the \$2,500 bond warrant from the Court, we've also been bringing them straight before the Judge during the day instead of taking them to jail. So, we're trying to reduce the jail bill that way as well by just bring, we're calling up the Judge and just bringing them straight before the Judge, and the Judge is arraigning them and then releasing them right there.

Mayor Green: Appreciate it. Thank you. Okay. Going back, Mr. Patino, we're going to go ahead and take the vote right now, so if you still have the opposition, you're welcome to voice it. Oh, one more question. Go ahead.

Councilman Larribas: Yes. And this is just a, yeah, onto Mr. Patino's (inaudible). Let's say that we didn't vote on this bill. Let's say we just didn't vote on it today. What would happen with the County Jail if we had a, say we arrested somebody for something, what would happen? Would they just turn 'em down? Or, you know, let the prisoner just go, go back to doing what they were doing until a solution was, you know, until we did find some kind of solution? What, just saying, just what would happen?

Mayor Green: City Manager.

Mr. Molina: Mr. Mayor, members of the Council, never having crossed this bridge before, so to speak, I can only imagine that we would be encouraged to sign an agreement for jail services. If we didn't sign the agreement, we may not be allowed to incarcerate prisoners. We don't have our own jail, so we would have to cite and release everybody, with the exception of the felons. However, there are some statutory requirements. For example, for domestic violence, that people involved, that get arrested for domestic violence be incarcerated. And not having a facility, that would put us in a difficult situation, to say the least. We really have no choice. I can also tell you, based on my conversations with other law enforcement officials, even Pima County is looking at dealing with the increased cost in jails. There are so many people now, so many homeless people with mental illnesses, that the jails are over-populated. And the jails are pretty much also seen as a place for a drug addict to go and dry out without having to go to a drug treatment facility. I mean if you ask some of the folks in the business, they'll tell you that right now, the Pima County Jail is probably the best place for mental, mentally ill and drug treatment. Not because they're confined there, but because they, they, when they get out, at least they're dry. They're not, they're still drug-addicted, but they have a chance maybe to get some help. There is nothing better right now in Pima County where it's mandatory. Obviously, if you go to a drug treatment facility because you're voluntarily going there, you got a chance. But most people that need drug treatment and other forms of treatment, can't get it. It's available only through Pima County Jail.

Mayor Green: Okay. So, okay. Last time. Let's go ahead and do I have a motion to accept the 17-17?

Motion by Councilman Cantu to approve Resolution No. 17-17. Seconded by Councilman Larribas. Councilman Patino opposed. Motion passed.

ITEM #11 – RESOLUTION NO. 17-18 OF THE MAYOR AND COUNCIL OF THE CITY OF SOUTH TUCSON, ARIZONA, APPROVING AND ADOPTING REVISIONS TO THE SOUTH TUCSON HOUSING AUTHORITY'S PROCUREMENT POLICY FOR THE PURPOSE OF COMPLYING WITH RECOMMENDED REVISIONS FROM THE DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Ms. Chico: Mr. Mayor, Council members, you remember a few months ago we had a HUD compliance review done. And one of the findings that they found, there were some changes or some

revisions that needed to be made to the Housing Authority's Procurement policy. Housing's procurement policy is identical to the City's, except for you saw the yellow. Did you see, did you get a copy? The yellow highlighted areas had to be changed in 2011. This time, because of federal regulations we have just a few changes. They're in red. Page six. They had to have that for all of our procurements, the micros and the small, must have three quotes, three companies with their respective quotes. On page 24, there were several items deleted. When we go to award our, we're sending out the information for contracts and we're going to award, now it's only a performance and payment bond, 100% with the contract. Before, they used to have separate performance bonds. They could have a 20% cash escrow or a 25% irrevocable (inaudible) credit. Those have all been deleted. So, only the payment performance bond is acceptable and also, a bid guarantee from the bidders, equivalent to 5% of the bid price. That's been deleted. Again, all they want is payment in performance (inaudible). And somewhere, and I must have missed that one, oh, also on page 24, only a surety company that's listed through the federal government, especially HUD, is an acceptable surety. If a bidder does not go through that surety for its bid, or his bond, they're rejected. So it has to be an approved surety and it's a huge list, so again (inaudible) who couldn't find one on there that would accept them. And the last one is the brand name specification. You can't just say a brand name. You have to say brand, either the brand name or ...

Mayor Green: An ...

Ms. Chico: ... equivalent.

Mayor Green: ... equivalent.

Ms. Chico: ... which we've always done but we didn't actually have in the policy. So now it's written and hopefully HUD will approve this and say we're okay.

Mayor Green: Is that it?

Ms. Chico: That's it.

Mayor Green: Not very many changes. Okay. Any questions for the Housing Director?

(No questions from Council)

Motion by Councilman Cantu to approve Resolution No. 17-18. Seconded by Councilman Larribas. Motion passed unanimously.

ITEM #12 – STUDY SESSION; FINANCIAL RELIEF PLAN, DISCUSSION AND DIRECTION

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

Mayor Green: Who is going to lead this, Mr. City Manager or?

Mr. Molina: Yes, I will open, make opening comments. Mr. Mayor, members of the Council, this is the continuation of the Study Session on the financial relief plan.

(Background noise and conversation)

Mayor Green: Excuse me. Hold on.

Unknown: Can you talk into the mike, please, because it's hard to hear from here. Also, the Council people, please. Thank you.

Mayor Green: I don't think we have a mike system that, that's put it out there. Is there? Is there a system out there?

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

Mayor Green: Okay. We'll just speak up louder. Okay. Continue.

Mr. Molina: Mr. Mayor, members of the Council, this is the continuation of the previous Council meeting study session. It's in regard to a Financial Relief Plan for discussion and direction in hopes to get a head start on the following year's budget. What we'd like to do is continue to present options available to Mayor and Council in the event that we need to raise additional funds, and this will just be one more option that you all can consider. And so with that, our Finance Director will give the presentation.

Mayor Green: Thank you.

Mr. Molina: I would like to say that we'd like some dialogue so that we have some indication of how Mayor and Council would like to proceed. And that's in regards to some of the issues that we're going to present tonight.

Ms. Aguirre: Mayor and Council, as the City Manager mentioned, this is a continuation of the presentation that was provided last week. And as you will notice, on some of these topics there's dates listed on there as to when they were discussed in prior occasions. The whole idea of implementing the Financial Relief Plan for Deficit Elimination Plan began back in March of 2016, with the discussions of forecasting the financials five years out as a means to start planning. And so, that's what has been done. Just to give you a little bit of insight, with this agenda summary that I've provided for your agendas, I also provided this report, the financial forecast. This is from last week. So, this financial forecast right here runs from fiscal year 2017 with the numbers that we're looking at for this fiscal year. Next year's numbers for fiscal year '18 all the way through 2022, it assumes nothing really changes. It does account for slight increases in sales tax revenues at half a percent, 1%, 1.5, so on and so forth, assuming that new business comes into the City of South Tucson. But as we currently sit, we're looking at numbers that are more true to the privilege sales tax under fiscal year 2018, your tentative budget of 2.9 million. On the expenditure side, it also assumes that there are no increases in salaries, no increases in staffing levels. It accounts for all the expenditures, both the discretionary, which is the small things that we need to get our jobs done, which makes up 5% of the budget. And it also accounts for the other approximately 30% of the budget which is fixed costs that go to things like the current bond, the revenue bond that the City has, contracts that it has, such

as the one that was just considered for the jail, for incarceration fees, for utilities, for all the expenditures that do not change. So, that's about 30% of the budget, that's included in here as well. It does account for, on the personnel side, and on some of the (inaudible) a slight increase over time. But that's based on what the trend has been over the last couple of years. So we analyzed the numbers, we see what the variation is, if they go up, down, take the average of that, we applied it to the formula to get an estimate of where these numbers might line up in three, four years from now. So, with that said, this report that was presented last week, which is the financial forecast, shows it accumulating to a deficit of \$812,000. That's assuming nothing is done. Now, just to give a little bit of the history, well, we've already provided the history on the budget for fiscal year 2018, and all the challenges that were faced. Had that one measure from Public Safety Retirement System not come through the way it did, then Mayor and Council would probably be having different discussions right now on the budget and on an unbalanced budget perhaps. And possibly looking at cutting some more. There's no more revenues coming in, then you've got to cut. So, another thing that was shown to you last week was this organizational chart right here which shows all the positions all the way back to 2001. And all of the positions that have been removed and that have gone away throughout the course of the years. And so one thing that was really eye-opening was that calculating today what it would cost to fill all these vacant positions, or not vacant but positions that have gone away, it would cost the City 2.3 million dollars today to hire back that level of staffing. And so, the City, at this point, is at the bare bone. That is why the need to prepare these types of reports, these financial forecast is crucial to help our elected leaders plan for the future. So, even in looking at history, the numbers, the City of South Tucson has always appeared to struggle mainly because of the structural imbalance that the budget has, meaning there is no balance in the money, the revenues that come in. The City depends highly on State shared revenues, which can fluctuate, depending on the Governor's budget, and it also depends highly on City sales tax revenue. And so, if business is dwindling (inaudible) so will the revenues. As I previously mentioned, the property tax that comes in from primary property taxes is only \$51,000. And just to put it in perspective, I know I've mentioned this to you in the past, but what the City pays in salary and benefits for an entry level officer is about \$75,000. And that's because of that huge problem with the pension and the pension rates, which is a whole topic of itself. So, with that said, something needs to be done, there needs to be a Deficit Elimination Plan implemented now so that the City is prepared to face those deficits down the line, to prevent those types of discussions that were being held, you know, a few months back with looking at where to cut to prevent that from happening again. So, to begin this presentation, what we're going to be discussing today are where the City's goals. I'm going to provide you again with an update. I know I did last week, but I'll just summarize it again, which will serve for the public as well. We're going to talk about the growing concerns and we're going to talk about, also, the Deficit Elimination option or options. So, first of all, the goal. The City wants to keep moving forward and toward financial sustainability. It needs to be able to afford the services it provides. It needs to be able to pay for its bills. It also needs to have, or work towards a balanced budget structure. You may see my little pie chart up here. We need to be sure we balance this equitably between businesses, residents, and the City. It's all a consorted effort. And we all want to continue providing the same or improved level of service. That's our goal. That's the goal of the City. So to provide a financial update, as of the fiscal year that we're currently in, fiscal year 2017, we are looking at an estimated surplus of \$187,000. We've already discussed that when the City has a surplus, that means it had extra cash to pay off bills, or to build a reserve or a contingency. When it ends in a deficit, that number, that deficit number is representative of unpaid bills. And so, going back at least 10 years, I believe it was about 7 out of, I'm sorry, 7 out of 9 years that had ended in deficits simply because there was no revenue to pay for those bills. And revenue, again, comes from sales tax, State shared sales tax, and what is

collected in property tax as well as the Courts and permits, from what is going outside for inspector permits, and also seizures. So, 7 out of 9 years have deficits. This year, and that was prior to 2016, fiscal 2016 ended with a small surplus. This year, again, its ending with a surplus. But one thing that you may recall is that for about three consecutive years reported, and I believe I've also given you copies of this straight from the financials, where the unpaid debt, or what some people would recognize as accounts payable, what's due to vendors, was ranging at about \$250,000 for those three years consecutively. And that was going back as far as I can remember. Now, the City, because of that surplus which comes from the sale of the library, was able to pay off that debt. And so, I believe that on the last presentation I gave, I mentioned that as of June 9th of this year, the last cash flow statement showed the bills had been paid off. So now, the City is operating with as much money as it receives, it saves to pay for things like payroll and operating expenses, and it pays them off in a timely manner within the first 30 days, which is tremendous improvement from where we were. So, that's definitely what we want to continue doing, but it does get difficult, especially when you start looking at those long list of challenges, like we did for fiscal year 2018, where we were looking at a deficit of about \$600,000. And so, without increasing taxes, sales taxes or property taxes, anything like that, cuts had to be made. And those cuts were made in the areas that were mentioned earlier, mainly those vacant positions went unfunded, and those positions were positions that were needed. But for purposes of balancing the budget for fiscal 2018, they went unfunded. And so that means that the rest of the employees will have to do more. I know that the members of the public don't have a copy of this, but I mean what you really see on this organizational chart is that over the course of the years, staffing levels have been depleted to almost half. The Fire Department alone went from staffing full-time firefighters, the ratio used to be, in 2001, the ratio was 75% of the employees in the Fire Department were full-time, to now, 83% of the employees are reserve firefighters. There are no longer full-timers. But that's what the City has had to do to be able to continue providing services to the community without impacting taxes and property taxes. However, what was done for next year can be considered only a fix. Only a fix. And so, like we all know, the cost of everything continues to climb. The cost of electricity, the cost of goods and services, that affects the City as well. So if there is not enough revenue to cover the expenses, that is an extreme challenge. The financial forecast that goes out to 2022, that one was presented last week. The approximate deficit about \$800,000. We're estimating that to be on the low side. And then the other challenge that we have is the long-term debt. The long-term debt, 20.1 million. Of that, \$12,000,000 is for pensions. The rest of that is about \$700,000 due to Pima County for the jail bill. Another \$90,000 that's left to pay off on the Waste Management settlement. Twenty million. So, every year there's money out of the General Fund that is set aside to make some payments on this long-term debt. So, in the past, we could've said, how can the City pay off on its long-term debt when it can't even afford its bills, its current year bills? Because it doesn't bring in enough revenue. Well, hopefully, that's something that the City can start looking at from this point forward. The growing concern, again, the cost continues to go up, and there's not enough revenue. The City of South Tucson has had to significantly reduce staffing over the years. So the question becomes, can the City continue to cut? And where can it cut? I mean this is a fact. The largest expense is Public Safety, comprised of Fire, Police, and the Courts. That is the largest expense. Another thing is, yes, the City needs to engage in what we're calling aggressive economic development, aggressive. But we also know the City needs to be competitive. And that's also a challenge. So, these are the deficit elimination options that have been discussed. The first one was discussed in the months leading up to August 8th of 2016. And then it was brought back on May 8th at the request of some Council members. This had to do with a residential rental tax, which is a sales tax on the 70% residential rental housing stock. The U.S. Bureau, Census Bureau, has revealed that in South Tucson,

approximately 7 out of 10 houses, 7 out of 10 are rental property, meaning there is a landlord that rents it out and typically, those landlords don't live in the City of South Tucson. The rate is currently 2.5% and we'll go over some other details in future, in the next slides, but it's the lowest sales tax rate out of all the industries.

Unknown: That's not true.

Ms. Aguirre: It is the lowest. At 2.5%. And for anybody who is interested in looking at that, a simple Google on Model Cities Tax Code, which is the State's website can be researched and it brings up all the sales tax rates for every single city and town, as well as every single County. So that is available. It's all public information. The next item that was presented, and this one was originally presented back in March as a potential option. And it was brought back last week, just as a measure, it has to do with General Obligation, a General Obligation Bond. What this would do is provide a dedicated revenue source to pay off some of that long-term debt. I realize I forgot to mention that of that 20.1 million due in long-term debt, \$7,000,000 is for the bonds, the City of South Tucson bond. So a General Obligation Bond would provide a dedicated revenue fund to pay off that long-term debt. Both of these options help provide relief, relief to the General Fund. So, hypothetically speaking, if Mayor and Council wanted to adopt any of these, those would go towards helping balance, or tackle those deficits in coming years to at least be able to provide the same level of service. Now one thing that we have to mention here is that there is a timeline, according to State statutes. So, typically, the timeline to call an election, because I should mention that both of these measures, Mayor and Council do not approve them. Mayor and Council simply provide authorization to place the measures on the ballot for the people to approve. The people of the community, the registered voters, those are the ones that decide if it's a good move for the City or not. So, here's a timeline. To call the election, the timeline, from June 10th through August 9th, however, because there aren't many elections going on this year, it's an odd year, the County is requesting that the City adhere to a deadline of July 14th to consider whether or not it will go down that route on any of these options. So, here's how they would work. Here is a representation of your revenues coming into the City of South Tucson. What you see here is about 60% comes from City sales tax revenues. Another 30% comes from State shared revenues and that's, that's money that's given by the State but that is also according to population. And so, the higher the population, the more money the city or town gets. The lower the population, the less money it gets. The City of South Tucson has about fifty-six hundred thousand in population.

Mayor Green: Fifty-six, what did you say?

Ms. Aguirre: Approximately fifty-six hundred.

Mayor Green: Oh, I thought you said fifty-six hundred thousand.

Ms. Aguirre: No. That would be wonderful because this would be much larger.

Mayor Green: Yeah, okay.

Ms. Aguirre: No, fifty-six hundred.

Mayor Green: Yeah.

Ms. Aguirre: In population. So that's what this 30% comes from. Other City revenues, what's in this little slice of the pie right here, and that's about 10%, is the Courts revenues. Also, permits, licensing fees, and any seizures that go through the police department. These slivers that you see here are for the primary property tax. So, when residents see the bill come through, there are many, many lines on that bill. But out of all those lines, only one of them belongs to the City of South Tucson. And as you all passed in the ordinance, the rate for that is 24, about 24 cents per \$100 value on the home, or the property. And in total, the City only collect \$51,000 but it needs approximately \$5,000,000 to operate at these current levels, with short staff. So what comes in from primary property tax is 1%. This other little sliver that's been isolated here is what the City of South Tucson currently makes out of the residential rental tax. Now, on reports you would probably see this imbedded with the rest of the City's sales tax revenue, but it was isolated because it's an option that was presented to Mayor and Council. Currently coming in from that source is about \$50,000, currently. So, if any of these two options right here, residential rental tax or a General Obligation Bond, were to be approved by Mayor and Council for the measures to be placed on the ballot and if the voters approve them, this is the potential impact that it would have. All of a sudden, you see this grow right here. You see it's highlighted right there; property tax, dedicated funding source. So this is, whatever is approved, that's what is called secondary property tax, and on the other side, what you see here is the City's sales tax revenue on residential rentals. So you would see that grow as well. What's interesting is that what you would see go down is this large piece right here, the City sales tax, you see how it scales back a bit? Because that's how it works. So, to be able to balance everything and make the City a little more competitive with outside jurisdictions, because the rates are a little higher, the money would have to come in from other sources. So, money goes up on other sides, and it goes down. This is a possibility. The sales tax rate possibly could go down, if Mayor and Council approve, and if it's something that fit within the forecast, the financial forecast. So now, let's go over some of these options. And this is a repeat from what's been presented in the past. This information was actually presented back on April 24, and it was just a review in the form of a memorandum to Mayor and Council of all the facts, as well as the timeline to adhere to. So, some of the facts surrounding the residential rental tax were, are, the current rate is 2.5%. The rate was imposed in 1995. So it's been in place for twenty years. Actually, more than twenty years, and it has never changed. Yet, the City, in order to continue to provide services, has had to increase the rate for other industries. Just as an example, restaurants and bar are at 5.5%. Retail is at 4.5%. And that's just the portion that the City collects. A tax rate in this industry, like I mentioned before, would require voter approval. The City of South Tucson housing stock is 71% renter occupied, as per the U.S. Census Bureau. The residential rental tax is only applied to rental income that landlords generate from residential rental properties. So it's only from the money that landlords make. And the revenue generated by this industry is applied to the General Fund, which helps pay for things that are essential like police and fire, and other necessary emergency services. The timeline that was provided back in April remains the same. The best fitting election would be November 7th, and that would be a General Election. The cost would range from \$10,000 to \$13,000 for that. Going onto page 10, here are a couple of numbers, again, that were reported back in April of, April 24th. So you see here what is collected based on that 2.5%. It's only \$48,000. And what was provided to Mayor and Council was a breakdown of what every percent increase would stand to bring in. So, a 1% increase could bring in \$20,000 more; a 3% increase would bring in an additional \$58,000; and a 4% increase would bring in \$77,000 more. The current cost to a landlord is currently 2.5, or I'm sorry, \$2.50 cents per month per \$100 in rent. So, if the rent collected is \$400 a month, then the tax due to the State of Arizona, Department of Revenue would be \$10 a month. If you take that \$2.50 times four, ten dollars. So here is the cost breakdown for what those increases would mean. Of course, a 1% increase would only be a dollar increase per

\$100 in rent. So, it would bring it to three-fifty, total per month, \$14 in tax. If you jump all the way down 4%, then the increase in cost would be \$4.00. The cost for the landlord per \$100 would be \$6.50 because you take the \$2.50 above that's currently collected under the current rate and then you add it to the increase, times four, so about \$26.00 a month is what the landlord would pay on a \$400 rent. So, with that said, I also need to point out something very important. Previously, the City had, under its Chapter 11, a provision that allowed the City to charge landlords for every single unit. What was being charged was \$25 per unit per quarter, and that was paid. A lot of cleanup has been done on the finance side and we've started to do a lot of cleanup as well on the City Code to make sure that it's properly aligned with State statutes. And so, this was one of the things that was actually removed from the City Code. The charge back then being paid by licensed landlords was \$25 per unit per quarter, so that was the equivalent of \$8.33 per month, which is also the equivalent of about 2%, which the City is no longer receiving. But it was paid to the City for years. And so, this would be equivalent to increasing the sales tax rate. So I guess maybe, per se, that for a home probably bringing in \$400 in rent per month, an increase of 2% would be equivalent to what was being brought in before under the Occupational License fee and the 2%. And so, in reality, asking for an increase all the way up to 6.5% would simply be 2% more than what was being paid under the Occupational License fee. I believe that that was the recommendation back, last August when the item was presented as an option.

Mayor Green: That was staff's recommendation.

Ms. Aguirre: Staff's recommendation, ...

Mayor Green: Okay.

Ms. Aguirre: ... yes. Staff's recommendation was to increase it to 6.5%. Since then, the Occupational License fee has been discontinued. But then again, it was paid, so I hope these numbers help. Let's go onto the next item here. The next item that was presented, it was brought back to the table for you all to look at on June 19th. It had to do with General Obligation Bonds. A brief introduction to bonds was provided to you all and so, basically, government bonds are the way cities and towns finance their capital projects, such as facility improvements and the purchase of vehicles and equipment. This is what cities and towns do. Whenever people here about an election or a bond initiative, that's what it's for. It's to help pay for improvements, vehicles, for equipment, things of that nature. So there's two different types of bonds. One bond is called a Revenue Bond and that one is supported or paid off by fees or sales tax revenues. This is what the City of South Tucson currently has. The other bond is a General Obligation Bond, which is supported or paid by a secondary property tax. Here's the City's profile. The City's bond is currently a revenue bond and so the payment of \$600,000 a year is paid straight out of General Fund every single year. It doesn't go down. The balance left on that bond at June 30th will be about \$7,000,000 still. And that doesn't come due or the City is not done paying that until 2037. And that, in essence, is not for any new monies or anything like that. Really, just to provide history to those that are here, the bonds accumulated over the years, over the decades, decades, going back to the 1980's and this is because financial advisers were obtained to do a review on the history of the bond. What was it spent on? What happened? So initially, it was issued in the 1980's and it helped pay for building City Hall. It also, some of the money generated from that went to pay off for a settlement for an injured police officer and that can be Googled and found by anybody interested. But as time went on, without increasing sales tax rates or without increasing property taxes, anything like that, and expenditures

continuing to rise, the City kept refinancing that bond to get a little bit of money out of it to do necessary things like improvements on the building, buying the equipment that was needed, for Public Works, for Fire Department, for Police Department, anywhere it was needed. And so, much like a home, when a home is refinanced over and over and over again, it extends the term of your loan and in the end, you wind up spending a lot more interest. And so that's what's happened here. It's been referred to as "kicking the can down the line." The bulk of the debt was originally issued decades ago, the City is still paying for it now. The City still pays \$600,000 a year to pay this off. If this piece right here were not in place, then essentially, Mayor and Council would probably not be looking at that huge deficit for fiscal 2018. It would have been a different story. But this is debt that needs to be paid off. So, what does this propose, a General Obligation Bond? After doing research, also working with bond counsel, bond attorneys, approximately of that 7.1 million, approximately 2.2 million has been identified as eligible for a General Obligation. So what that means is that 7.2 has been identified as being able to move from here to here. So, what would this do? It would help pay down current debt. Things that it does, or that it does not do; this does not involve issuing more revenue bond. So this does not mean the City issuing more, more debt like it has over the decades. But what this does do is it frees up capacity in the General Fund. So how, how does that happen? Well, one, it reduces the debt that gets paid out of the General Fund with sales tax dollars from 7.1 million down to 4.9 million. And so then the annual bond payment of \$600,000 would be reduced, freeing up money to be used in other areas of need. So, as an example, in order to pay off 2.2 million of debt restructured as General Obligation Bonds, the cost to the average property owner would be \$6.57 per month, if approved by the voters; \$6.57 per month would help bring in \$314,000 a year. It would only be for nine years and the tax rate would be \$1.50 per \$100 value. So down below, on this table, what you see here is currently the annual revenue bond gets paid out of General Fund excise tax, or sales tax. If it were, if this measure were to be approved by Mayor and Council, I'm sorry, if it were approved by the voters, by the voters, then that would allow to shift \$314,000 over to this, I believe I refer to it as Dedicated Revenue, Dedicated Revenue Fund. So, it would reduce the City's General Fund payment from \$600,000 to \$286,000 because \$314,000 of that could be paid, if approved through (inaudible). So, again, who approves these measures? Mayor and Council only authorize the placement of these measures on a ballot. These measures are approved by the voters. So that concludes this presentation. Any additional comments and questions are welcome. We also ask for your direction. You may have noticed the ...

Mayor Green: (Inaudible).

Ms. Aguirre: ... deadline.

Mayor Green: We can't give direction right now.

Ms. Aguirre: To proceed in any, ...

Mayor Green: Okay.

Ms. Aguirre: ... any, it's not an action item. It's ...

Mayor Green: Okay.

Ms. Aguirre: ... just to provide direction, should there be any interest in any of these areas, and should Mayor and Council want to see it come back for approval by July 14th.

Mayor Green: Anybody have any questions?

Councilman Larribas: I do. I have a question. What I'd like to see, say we, let's say we didn't vote for this. What would I would like to see is, let's say the City or the County took over. How much taxes would they just throw at us on top if something like this, I want to see a different perspective from what would happen to our City if something like this didn't happen? Would we go bankrupt and somebody else would take over? I'd like to know all that.

Ms. Aguirre: Mayor, and Councilman Larribas, definitely with having, with reporting to you all the financial state of the City of South Tucson and where the money comes from, we anticipate expenditures to continue to rise. If the City cannot pay off its bills, its day to day bills, it cannot pay its long-term bills, it may fall into bankruptcy.

Councilman Larribas: Okay. But what I would like to see is, let's say we did fall into that perspective where we didn't, and let's say the City, what, where would we be at? Would our taxes be a lot higher? Would they just, I know we have a small tax. Would our taxes grow?

Ms. Aguirre: So Mayor, Councilman Larribas, to answer that question is yes, if these measures were not approved, and this jurisdiction fell to the underlying agency or government, the taxes probably would increase. Currently, the tax, the property tax in the surrounding jurisdiction of the City of Tucson is six times higher than it is in the City of Tucson. And so, a measure like this would simply bring the sale, or I'm sorry, the property tax rate closer to what the City of Tucson charges. And that's to be able to pay for the services that are provided, which the City likes to pride itself in it being A-1 services. I've heard that mentioned a lot, especially because of the fast response time that is provided by our police department and our fire department. I'm sorry. Mayor and Council, ...

Mayor Green: That's okay.

Ms. Aguirre: ... I lost my train of thought. But that's essentially to bring it up to a level that is pretty much consistent with the other jurisdiction, yet residents would still have those fast response times here in the City of South Tucson. They would have the community policing and the emergency medical services.

Councilman Larribas: That would be if we stayed with our government, but if it went to the other government, would we still have that?

Mayor Green: No.

Councilman Larribas: That, that service.

Mayor Green: City Manager.

Mr. Molina: Mayor Green, members of the Council, Councilman Larribas, in discussing some of these issues privately with heads of other public service or public safety agencies, the answer would be that we would have probably less public safety services available to the citizens of South Tucson.

Mayor Green: I have a question. Okay. I understand what you're saying. I understand there's a need. I don't understand the timeline. Okay. I know that we were talking about this and I'm not going to put my personal feelings in there, but it's, I'm not, I wouldn't be willing, if we really, really needed this money right now to roll the dice on an election that's five months down the road when we need to educate ourselves more, we need to hold public hearings, we need to hear the pros and the cons from both sides, you know, it, it's up to the community. The community has to come out and the community needs to come up and say, "Are we or are we not?" I understand that. You know, if we do it right now without educating why we're doing it, and try to sell it, not that I'm in favor or against it, I'm just being neutral, I'm just saying what needs to be said out there, I think that we'll lose. If we are given the ample time, can we, and does time and the budget allow that this go on the next election in 2018 cycle? Because at that point, it gives us more than 16, 17 months to do public hearings, literature, advertisement through radio or other medias, or whatever the case is. I'm not willing to roll the dice on something that your, that has come up before this Council when on the last election cycle, it wasn't voted on by the Council. It died at the, at the, you know, here. It died up here. So that meant that one of two things; is that it wasn't sold to us correctly or the situation was different, and it's different now again. But I still look at the fact that we need to get this information and all this information out to every single person within the community. You know, I understand that, you know, what it is. I understand the rentals. I understand the secondary property tax and everything. I just say that it is too much, and it's my opinion and my opinion only, that it's too much for the Council and for the community to try to break it down, disseminate it, and figure out what they want to do, when they want to do, or how they're going to do it. Okay. And that's what I'm saying. I'd rather roll the dice when I know they're not loaded or they're against me. That's my opinion. Can we, and do we have the time where we can put it on an agenda next month, I mean for next year's election?

Ms. Aguirre: Mr. Mayor, members of the Council, I would say so.

Mayor Green: Okay.

Ms. Aguirre: Given that, given that this fiscal year coming up, fiscal year 2018, is balanced. That provides a little bit of more time for planning. And definitely, I mean if that is something that Mayor and Council want to continue to entertain, and plan for, that is something that can be done in preparation for the following year, 2018. We don't know what the challenges may bring for fiscal year 2019. What we see here is an estimate of a \$168,000 deficit. But so long as Mayor and Council knows, you know, the challenges ...

Mayor Green: Well, ...

Ms. Aguirre: ... will come and so ...

Mayor Green: ... and going back on what you're saying, I understand what FY2019 has, but if we, if we roll the dice right now and we lose, we lost '18, '19, '20, '21, '22. I'd rather lose '18 and start trying to sell it for '19 if that's what the population wants. And let, and send it out to the voters and let the voters have an educated vote on it; exactly what does it mean? Exactly how is it going to (inaudible)?

Exactly, you know, everything, instead of coming up and saying, well, what are we, two and a half weeks away and we got a holiday in between there? Okay. I would say if it was my, my strict, or my sole voice is wait until '18, but I'm only, you know, I'm just showing what I feel. You know, we need to have some kind of communication from the Council on this one. Mr. City Manager?

Mr. Molina: Mr. Mayor, members of the Council, I believe it's people that have come to the podium to speak on, on behalf of any tax increases and voice their opinion, they don't want any tax increases, especially the residential property tax here in South Tucson. There's more dialogue amongst the community not only here in South Tucson, but across Pima County that they're questioning any tax increases by governmental agencies, and I think you have a point that people just don't want more tax increases at this time. Our alternative is to do aggressive community development, commercial development. We are lucky that we have some property that we've identified, approximately (inaudible) acres where we can do some of that and we're going to try to raise the required or needed revenue through the addition of new businesses. But we are having this study session. Staff would like to hear from members of the Council as to what their sentiments are, to give us some direction in how to proceed in the future. Thank you.

Mayor Green: Okay. One more little comment. And that comment would be is that like the City Manager stated, people are, you know, when they raise taxes in other locations and the secondary property tax, there's a tangible item that they're looking at building. You know, and they can see the building, they can see the road, they can see the park, they can see whatever they're going, that money is going to be utilized for. This one, I understand what it's needed for is to pay the bills. Little harder. So it would be a lot harder for somebody to go out there and be able to understand it. You're, hold on, you're asking me for money so you guys can pay your bills. The reputation of previous administrations and the, and the current administration, people that people see is that we're not frugal with their money. It's not our money. It's their money. But we have to show that in the short time, lights have gone on, we've had a couple of businesses that are coming in. You know, things are being moved. But the point that I'm trying to make is I do not, you know, want to put this on the ballot as, you know, for myself. I'm not saying that I wouldn't vote for it, or vote for, I'm just not willing to chance of losing it, okay, without educating the tenant, or the, the constituency. Anybody else have anything to put in?

Councilman Cantu: I second that opinion. I think that we need more time to educate ourselves about this. Although we appreciate the proposal that we have in front, that's an option that we can, that we can go, but we need time to, to see what, not only educate ourselves, but educate the community, too, and let them know why we need to do whatever we need to do as, as far as taxes go and all that. But it would give us an opportunity to see if, if the need would be less than right now, being that we expect to get some more businesses in the City and, and ways that we can collect some revenue for the City. So I think that if we can wait until next year and like you say, this, the budget is already made for next year and we're okay with that, I would, I would go with Mayor's concerns about going (inaudible) right now. Because probably it would be better for us to wait until next year and prepare ourselves better and prepare the community better, let them know what's going on with, with all this. I mean, why we need to do something like this.

Mayor Green: Is that it? Councilman.

Councilman Larribas: Same thing here. We need to start now, you know, putting, getting all the information together so the public will know, you know, what's coming up. I mean we can't start a month from now. We have to start right away. Otherwise, we're going to be back at this situation like we've been the last, last time.

Mayor Green: Any other discussion?

Councilman Romo: I only had just one question about the, what is it, the \$600,000 that we pay for that bail bond, or revenue bond, right? Is that what it is? Is that a one-time payment?

Mayor Green: No, it's yearly.

Councilman Romo: Well, that's what I ...

Ms. Aguirre: (Inaudible) ...

Councilman Romo: ... mean like one time a year.

Ms. Aguirre: Actually, Mayor and Councilman Romo, yes, it's \$600,000 annually, but it's broken down into two installments. It's about \$300,000 due in December and about two hundred and some due at the end of June.

Mayor Green: Any other discussion? I have one more thing. I'm, what I'm saying is if we need it, we need it. I'm not saying let's not go forward with it. I'm just saying that let's go ahead and basically get the odds on our side by education. And as, you know, the Councilman stated, you know, we need to start and the education needs to start soon. Because, you know, we can't, there's no way that we can put this out in the manner that we would want to try to assure, and let, and if it passes, great. If it doesn't, but it's, it's a choice of the people. But we have to educate those people on how to vote, you know, how to vote or if, in, in favor of it or in opposition to it. City Manager.

Mr. Molina: Mr. Mayor, members of the Council, any tax increases that would be proposed by staff would be as a last option, a last option that we might have to keep the City sustainable. Hopefully, we'll have better news in the months to come with announcements of any economic development that may come to our City. We're optimistic that that's going to happen. And hopefully, the ideal thing is not to have this conversation next year.

Mayor Green: Exactly.

Mr. Molina: Because we would have to increase revenue. Nevertheless, we have to put it on the table for consideration so that no one is blindsided at the last minute of, well, gee, you know, South Tucson is going to cease to exist. As you heard previously, we're probably in a better financial position today than we have been in years. And we hope to continue in that direction. But we also, as they say, you've got to hope for the best but plan for the worst. And that's all this is.

Mayor Green: So you, do you need me to make a summary, am I correct? Or?

Mr. Molina: I'm sorry.

Mayor Green: Summarize it, summarize it?

Mr. Molina: Yes. Direction, we would hope to get a summary, that we put any possible tax increases in any form, on hold. And wait to see what happens with economic development. That way we can move forward with planning other, other things. I think you've all had lessons in economics here, week in and week out. I think everybody would like to put this one to rest.

Mayor Green: Okay. My take on the situation is that, you know, we forgo the election this year in November; we do very, very hard education on, through any kind of gather, what is it?

Councilman Larribas: Materials (inaudible) ...

Mayor Green: No, no, the meetings, public meetings. You know, if we have to have them weekly, if we have to have them, you know, monthly, if we, you know, monthly, weekly, whatever the case is, we're going to do that. We have to provide all the information. Okay. And for FY18 November election. Okay. So it's not that we're killing it. We're just going to basically assure that we have a better chance of getting it passed through education. And if it doesn't pass, it's not because we didn't try. Okay. I take that to be the consensus of the Council. Okay. So do I have a motion to close Study Session and adjourn into Public?

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

ITEM #13 - REPORTS

No reports at this time.

Mayor Green: Before we adjourn, I would like to thank the Police Department and the Fire Department for going out and getting all that water for those individuals out in the street, they're putting them in ice chests and giving them out, and I know that you played a big part on that there, Interim Chief Shonk. I like that. Okay. Give your staff, and the same thing for the Fire Department. I know Cory is not here. Lourdes, thank you. It's been a really tough budget, so thank you, your staff, thank everybody and hopefully we can resolve basically what we need to do in order to get things done.

ITEM #14 - ADJOURNMENT

Motion by Councilman Larribas to adjourn the Regular Meeting. Seconded by Councilman Cantu. Motion passed unanimously. The meeting adjourned at 7:45 p.m.

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 26th day of June, 2017. I further certify the meeting was duly called and a quorum was present.

Dated this _____ day of _____, 2017.

Veronica Moreno, City Clerk