

Minutes of the Special Meeting of the Mayor and Council of the City of South Tucson, Arizona, held Tuesday, June 3, 2014, at 6:00 p.m. at the City of South Tucson Council Chambers, 1601 South 6th Avenue, South Tucson, Arizona.

Council Present: Paul Diaz
Vanessa Mendoza
Mary Soltero
Anita Romero
Oscar Patino
Miguel Rojas

Staff Present: Luis Gonzales, City Manager
Veronica Moreno, City Clerk
Lourdes Aguirre, Finance Dept.

Mayor Diaz called the meeting to order and led the Pledge of Allegiance. Councilman Patino led the Invocation.

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

ITEM #05 – MINUTES – None available.

ITEM #06 – STUDY SESSION – BUDGET FISCAL YEAR 2014-2014 – The following is the transcript of Item #06:

Mr. Gonzales: This is a continuing meeting on the budget. At the last meeting we had you gave a couple of directions and you wanted to see a couple of changes in the budgets. So we're going to be showing you a couple of other small items we put in here. One of them is the inclusion in the police department for additional hours for reserve officers. Another one is (inaudible) occupation tax tiered schedule. And the third one is putting together a 1% decrease in the food sales consumption tax. Roy is going to go over that and then after, then we're going to provide for you the outside revenues. And then we're also going to give you the other items that you wanted to see for the next meeting, which is the salaries schedules.

Mayor Diaz: When is the salary schedules?

Mr. Gonzales: Yeah, we'll do the salary schedule as well.

Mayor Diaz: Oh, okay.

Councilman Rojas: Next week or today?

Mr. Gonzales: We'll go ahead and ...

Mr. Cuaron: The salary schedules are the last ...

Councilman Patino: (Inaudible) pages.

Councilman Rojas: Thank you.

Mr. Cuaron: Those are the current salaries.

Mr. Gonzales: If you have any questions (inaudible) as Roy goes through the process, and any recommendations, suggestions will be welcome to do, to ask, change, whatever. We're planning to come back with another budget hearing on Monday. I was trying to put a meeting together on Thursday but I understand some people can't be at the meeting on Thursday. So unless you want to go ahead with a meeting on Thursday, we can do it. If not, we'll put it together for Monday, along with other items that need to come up at Monday's meeting. At the end, you can give us the direction if you want to have a meeting on Thursday or not.

Mr. Cuaron: Good evening, Mr. Mayor, members of the Council, so page 1, again, this is a summary worksheet incorporating the direction you provided us last week with respect to integrating option 4, which is raising rates 2% across all industries including the hotel-motel transit tax as well as Mr. Gonzales mentioned earlier, under the privilege taxes so we've incorporated those estimated revenue increases from the tax increase. At the same time, we reduced the revenues to allow, at your discretion, if you wanted to reduce the food for all consumption tax from 2.5 down to 1.5%. And the net loss expected from that is about 60 grand for a 1% drop. We've included in there the revenues, the expected from implementing the ambulance service for one quarter of a year. Similarly, under fire department budget we've included the cost, ¼ of the cost of that service to the end of the day that generates a net surplus of about \$49,000. Included and then one additional change that we made was to increase the police reserve officers back to 10,800 hours is what they've requested. So with those changes as it's currently presented to you, we would have about a \$90,000 surplus of revenues over expenditures, if all things hold true to form. So that's page 1. Page 2 doesn't change from the last time. It's showing you the different options as well. Page 6 is just the 2% increase that's reflected in the budget numbers. And then what follows that are the department budgets by line item detail. And the only changes that have been made are to the fire and police, as alluded to earlier. And then the last three pages are the salary schedules for the existing employees that are currently on the payroll at this time (inaudible).

Mayor Diaz: On page 6, for example, the, at the very bottom, the grand total, 809, is the result of option 4?

Mr. Cuaron: That's correct. That's what we're expecting the budget impact to be, assuming, you can see the net annual increase is greater because that's taken in a full 12 months. But because Arizona Department of Revenue requires 60 days notice plus the first of the month so assuming we adopt next week, middle of June, it will be effective September 1st. So basically ...

Councilman Patino: About two months?

Mr. Cuaron: ... yeah, ...

(Simultaneous conversation)

Mr. Cuaron: But that's, so the budget impact of those increases is \$810,000. I should remind you that it's predicated on the collections that we saw for the end of March from the Arizona Department of Revenue in their reports, so that's the premise for the projected increase in, or budget impact of the revenue.

Mayor Diaz: Does that show an increase?

Mr. Cuaron: No, the, through March and April, actually we have April now, what we're seeing on privilege taxes is a decline from the previous year. Through March, the revenues were lower by about 5%, five point some percent, and through April it's like 4.9%. So the trend is still downward based on the most recent data.

Mayor Diaz: Okay. So which option is the one where we're asking for the increase in the police?

Mr. Cuaron: It's already reflected in the police budget where you increase, if you go to page 16, the reserve hours are restored there to ten, actually, a better depiction of that would be on page 21. You can see that under the personnel roster. If you look under police, under reserves, page 21, right above CDBG allocations, see 10,800? Those are the reserve hours that have been budgeted, that are included in this budget.

Councilman Rojas: That's the bottom line? CDBG allocations, 25,000?

Mr. Cuaron: No, if you go right above that. So 10,800, that's 10,800 hours equates to about 180,000 in costs, in direct salaries.

Councilman Patino: And before, it was 8,000?

Mr. Cuaron: 8,750. It was 10,800 minus 2,080.

Councilman Patino: So it went up 1,250.

Mr. Cuaron: No, it went up ...

Councilman Patino: No, it went ...

Mr. Cuaron: ... 2,080.

Councilman Patino: Luis, are we going, is that going to be a good enough padding, that 90,000? Or do we do half on the police officers and have something left, because we

do have the County that we have to pay. Then we do have the, let's see, it's the County with the animals and then it's the County with the jail, and then you could also have Waste Management. So how are we going to be with all this? And I understand we need the police officers, but I really want to know where we're at.

Mr. Gonzales: Mr. Patino, Mr. Mayor, the \$90,000 that you see here reflects the changes that we've made in today's presentation. Last budget, you had reflected 190,000 in what we are calling a contingency. That is, that number, \$190,000, is still way below what we believe you should have. If you look at, and more or less what you need, you need anywhere between a 5 to 10% contingency for any emergencies that might arise, as well as what you might have in regard to the projections of revenue coming in. When we did this, it reduced, it reduced it down by about \$100,000. That is dangerously low. We don't believe, and we would not recommend that you leave it that low. Consequently, if you have a situation where you might have to higher outside attorneys, you don't have it in the budget. If you have similar situation that comes up, it's not in the budget the way this is laid out (inaudible) \$90,000 level. I think that you have an opportunity with this budget to make sure that you have a stabilized budget. A budget will allow you to have enough of a cushion there in the event that you have some of these emergencies. Now you had mentioned the issue of Waste Management. Waste Management, as you know, and I've reported to you that they had a claim, a notice of claim against the City. If we don't get to the table to start renegotiating (inaudible) more than likely we'll see some litigation. We don't have that in the budget. So insofar as any unforeseen items that might be coming up, and then let's say that if the projections of revenue coming in do not keep up with what our projections are, and then that 90,000 may be lower.

Councilman Patino: Right.

Mr. Gonzales: It might be a little bit higher. We don't really know, but because our budgets are so tight now that we felt that at least \$200,000 cushion would be sufficient for the items that we kind of foresee, that might occur. Hopefully, they don't.

Councilman Rojas: Mr. Gonzales.

Mr. Gonzales: I don't know if that answers your question.

Councilman Patino: It does, it does. But if instead of, if instead of going the full, what is it, 10,800 hours, if we were to do the half between the (inaudible) between the 8,750 and the 10,000, that would give at least an additional \$50,000 as a cushion?

Mr. Gonzales: I'm not sure what the amount would be, Mr. Patino. If we look back to the original recommendation it was 7,000 what?

Councilman Rojas: It was 8,200

Mr. Cuaron: It was 8,750.

Councilman Rojas: Yeah.

Mr. Gonzales: Eight thousand ...

Councilman Patino: Yeah, eighty-seven ...

Mr. Gonzales: ... seven fifty.

Councilman Patino: ... fifty hours, yeah.

Mr. Gonzales: How much (inaudible) pick up?

Mr. Cuaron: so for 2,000 hours, 2,080 hours, it was about a \$40,000 increase from 179 to 207, I believe. So the net cost is about 40 grand, if I'm not mistaken. So for every 1,000 hours ...

Mr. Gonzales: Yeah, roughly, ...

Mr. Cuaron: ... 20 grand.

Mr. Gonzales: ... roughly \$40,000 will increase ...

Mr. Cuaron: That amount.

Mr. Gonzales: If you took the 1%, that will gain \$60,000. If you reduce that to half a percent, you would gain \$30,000. Half of 1%. So you, those are some of the options that you have. And the reason you have the 10,800 hours in here is because we were asked at the last meeting to ...

Councilman Patino: No, I understand, ...

Mr. Gonzales: ... come back with ...

Councilman Patino: ... sure.

Mr. Gonzales: ... (inaudible).

Councilman Patino: But I was, it's just that while I've been at home just thinking, and thinking, and thinking, it was just one of these things that I remembered that Waste Management was coming up. I remembered all these other things and I'm going where are we going to take up that money also? And that's why I was hoping Chief Lackey was here. If we went a 50-50 on that, if it could have been feasible for the police officers just to reduce, just that, what was it?

Mr. Gonzales: 8,800 ...

Councilman Patino: No, just a couple of hours less (inaudible).

Councilwoman Mendoza: What, what is the savings in going 50-50, \$20,000, that's what we're talking about?

Councilman Patino: \$40,000.

Councilwoman Mendoza: Well, 40,000 was the whole 2,080 is what he just said.

Mr. Gonzales: I believe it's 2,800 or ...

Councilwoman Mendoza: Eighty, 2,080 was 40,000 ...

Mr. Gonzales: And so if ...

Councilwoman Mendoza: ... (inaudible) it would be ...

Councilman Patino: That's ...

Councilwoman Mendoza: ... \$20,000

Councilman Patino: ... \$20,000, yeah.

Mr. Gonzales: That makes ...

Councilman Patino: Okay.

Mr. Gonzales: ... about (inaudible).

Councilman Patino: Like I said, I was just ...

Councilwoman Mendoza: Yeah.

Councilman Patino: ... brainstorming at home. Especially under anesthesia so.

Councilwoman Mendoza: That's quite a combination.

Councilman Patino: Yes, yes.

Councilwoman Mendoza: Brainstorming under anesthesia.

Mayor Diaz: Mr. Gonzales, where was that, is that option number 5 then, is to put those hours back in?

Mr. Gonzales: I don't think so (inaudible).

Mr. Cuaron: Mr. Mayor, members of the Council, so page 1 basically reflects 10,800 hours in the police already.

Councilman Patino: Correct.

Mr. Cuaron: That was the direction that, at least I perceived, last (inaudible) ...

Mayor Diaz: Was there a 1% restaurant tax in there, too?

Mr. Cuaron: Yes, the restaurant tax goes up 2% under the scenario. So all tax rates are going up 2% under this scenario. It's on page 1. Except the motel-hotel tax, which is going up, if you look at page 6. So you can see all the tax rates are going up 2% and then the occupancy tax is going up 2%, and then the other privilege tax on that is going up 1.5%. On page 6, ...

Councilman Rojas: On what page was that?

Mr. Cuaron: Page 6.

Councilman Rojas: Now what happened, did the property tax went up to the max, the primary property tax?

Mr. Gonzales: Okay. No, we have not touched the primary tax.

Councilman Rojas: What would happen if that went up to, that would be another 30,000, or 15, or 18?

Mr. Cuaron: If you did the, went up to the max, I think it's, you pick up 69 to 53, so about \$16,000.

Councilman Rojas: Six, yeah, I figured it was 16 or 18, okay. I mean, you know, we could pick it, well, we can't.

Councilwoman Mendoza: Did you say that the food consumption tax was lower?

Councilman Rojas: Yeah, they dropped it.

Mr. Cuaron: Yes.

Councilman Rojas: Dropped it by 1%.

Councilwoman Mendoza: To ...

Mr. Cuaron: From 2.5% to ...

Councilman Rojas: To one ...

Mr. Cuaron: ... (inaudible).

Councilman Rojas: ... (inaudible).

Mr. Cuaron: 1.5.

Councilman Rojas: 1.5, yeah.

Councilwoman Mendoza: Is that, I mean, advisable?

Councilman Rojas: Yeah. I mean 'cause we have ...

Councilwoman Mendoza: I mean we're, I mean aren't they already saving with their property tax, the secondary property tax? I mean ...

Councilman Rojas: Well, yeah, they are but food is ...

Mr. Gonzales: Well, I wasn't in touch on that issue. I was in touch with the, Mr. Johnny Basha and his response was that he was going to look at that further and haven't received anything back from him regarding the property (inaudible). We were under the impression that all of the properties of the area there were under the Basha banner, if you will. But he informed me that he believed that they only had one parcel. And that he wasn't sure if that parcel was the parcel where the Food City actually was. But that at any rate, if that tax were lowered, that they would see some kind of a decrease because they also pay a rent, or a lease, to the owners of the other properties and that they would see a reduction in the lease rental amount. But he was going to go back and research that and then come back and let me know what that reflected for them. So I don't think, or at least he appears to be saying that they do not own all of that property. So it's a little bit nebulous as to what they would (inaudible).

Councilwoman Mendoza: The savings would actually be.

Councilman Rojas: But this 1% lower food tax, it would be on the people that are buying food. I mean they'll, the owner pays it but I mean the people that are buying the food are paying the tax at the cash register.

Mr. Gonzales: Yes. So the food consumption tax is an industry tax. So only those individuals who have grocery stores will be the ones that would actually benefit out of that. That would be your largest taxpayer, which is Food City. And the other one would be the Valencia Market.

Mr. Cuaron: There is three ...

Councilman Rojas: T & T.

Mr. Cuaron: ... markets that I identified.

Councilman Rojas: T & T, (inaudible) Valencia and Food City.

Mr. Gonzales: T & T would experience a lower amount of 1%. The Food City would experience a lower amount. The Valencia Market, I believe. I don't know if Circle K (inaudible).

Mr. Cuaron: The calculation that I did, I only (inaudible) what was readily identifiable as a market so there were basically three or four. Three major ones ...

Councilman Rojas: United Market.

Mr. Cuaron: United, T & T and ...

Councilman Rojas: And Valencia.

Mr. Cuaron: United, T & T, and Food City. Anybody else was, in terms of standing out was, their tax revenues were really minimal so I didn't (inaudible).

Councilwoman Mendoza: Do we know what kind of cushion we had last budget?

Councilman Rojas: Do you remember, Luis, what kind of cushion we had last year? Or you talking about last year, last budget?

Mr. Gonzales: No, I don't.

(Simultaneous conversation)

Mr. Cuaron: Well, it's hard to say because I mean when you adopt a budget, it has to be balanced so they would have, any excess would have had to have been plugged in either in contingency or somewhere. My sense is despite the first page showing a surplus of 27,000 that we're expecting, understanding that we haven't closed the books for FY13 because of the ongoing audit. And knowing what we know now, my guess is that the general fund is going to have a deficit at the end of the fiscal year. In large part because some of the stuff, some of the, where certain expenditures were budgeted under special revenue funds, A, we didn't get those revenue funds, and so they have, those costs have to be absorbed by the general fund. And second of all, we're over-expending our general fund budget as was mentioned last week. So I think if we break even, it's going to be a big plus. But frankly, you know, I'm not optimistic that that's going to happen to be honest with you.

Councilman Rojas: Even at the 90,000 or the 130,000 cushion?

Mr. Cuaron: Oh, oh, no. I'm talking about ...

Councilwoman Mendoza: Last year ...

Mr. Cuaron: ... (inaudible).

Councilman Rojas: Oh, he's talking about this year, okay.

Mr. Cuaron: Here's the way I look at it. I think we would agree that we can all control the expenditures side of this. Collectively as management and as a Council, I think we can control that. What's more difficult to control is the inflow of revenues. And I just did a calculation. The 90,000 is the 1% so basically saying we have 1% cushion for revenues to drop. Or come in something (inaudible) which is not a very (inaudible). So I feel good that on the State Share Revenue, the League is really good about projecting that so the one four is solid. But again, if we go back to the largest revenue source is your privilege tax. You know, we did the best we could given the data that we had to say, okay, here's what we generated through nine months based on the Department of Revenue data. So you (inaudible) that out and that's, you know, I feel good about it. But, you know, that's, I mean based on the data, objective measurements and so forth, I feel good about it. But again, that doesn't say that if the trend continues to go down on your sales tax, then these numbers may not materialize. But we have to start somewhere so we started with (inaudible) data.

Councilman Rojas: My only other question would have been, and I was hoping for what we could do if we could make this a 2% cushion budget rather than a close to 1% cushion budget. And so that's what I was going to say, you know, if we could pick up the primary property tax for all the owners, all the property owners, that would probably help get some of the 20,000 or 22.

Unknown: It was 16, I think.

Councilman Rojas: Sixteen. But, I mean, you know, anything that's going to put some money on the coffin is better than nothing. That's (inaudible) money.

Mr. Gonzales: The primary tax based on the limitation ...

Councilman Rojas: And that's a legal limitation, right?

Mr. Cuaron: The 16,000, because the Arizona Department of Revenue sends us the worksheet. And I think they set the maximum levy would be 69. And we've got 53. So it's about a 16,000. There is, of course, a process that we have to go through, a truth in taxation, which just means more public hearings and public, if you're going to go to the max so, but you pick up about 16,000.

Mr. Gonzales: Yeah, it's a little tricky to do that. It is a small amount but as Mr. Rojas says, it's, every little bit helps.

Councilwoman Mendoza: What if we don't go to the ...

Mr. Gonzales: It will ...

Councilwoman Mendoza: ... max?

Mr. Gonzales: ... make the process a little bit longer. We want to get done by the 15th of the month. So we're kind of moving a little bit fast, a little bit faster pace. We're trying to get down to what your recommendations (inaudible) Council.

Councilwoman Mendoza: So what if we don't go to the max? What if we go to like ...

Mayor Diaz: (Inaudible).

Councilwoman Mendoza: ... well, like if it's like 6089 (inaudible) we go to like ...

Mayor Diaz: You get ...

Councilwoman Mendoza: ... (inaudible). I mean would we have to like go through the whole truth in taxation and hearings and all that other stuff?

Mr. Cuaron: To be very honest with you, I'm not that familiar with the process but, other than what I just read. So I don't know. I know that when you go to the max, there's a truth in taxation but between where you're at now and the max, I don't know what steps are involved if you were to increase beyond the current rate. So in essence, what we're doing is increasing the rate. And so, but I don't know what that process is.

Councilwoman Mendoza: Can, we can find that out?

Mr. Cuaron: Sure.

Councilman Rojas: Something that won't have, force us to go and delay the process. We want to help, you know, expedite the process just like, I know you're anxious to (inaudible) the budget as we are ...

Councilwoman Mendoza: Yeah, the sooner we can get the notices and all that stuff out to the (inaudible).

Mr. Gonzales: I'd like to point out, and while we have Roy here, we want to get everything done as much as we can.

Councilman Rojas: Yeah, I know. That's what I'm saying, before your next two weeks are up.

Mr. Gonzales: He is slated to depart on the 9th, which would be next Monday. Next Monday, that's his last day. Lourdes is going to pick up the slack from that point forward. Roy will be available for, you know, consultation, phone calls, and all that. I believe that what we basically agreed to with the Director of Transportation (inaudible) will be, we'll take an hour here, an hour there, wherever we might need him to kind of help us out to finish it out. But we don't expect to have him all the time. We've had him, we've been very fortunate to have him here for the last 90 days. I requested, and I did request from the City Manager and the Department of Transportation that they extend him for a couple of weeks. They just can't do without him.

(Simultaneous conversation)

Mr. Gonzales: (Inaudible) back to this, items that you see where the increase is and the result is that it decreases your contingency on that one. That's a lot (inaudible). If you want us to do something different, something else, we can bring it back at the next meeting, but my recommendation is that at the next meeting we could have something that you can actually vote on as a tentative budget. I think you're real, real close. And then we have to have a public notice out there that has to be published in the newspaper, etc. so we're going to need another couple weeks there to come back with a final budget. That would take you into the last part of the month, maybe the 3rd week, if we hit that deadline.

Councilman Rojas: So in your days of drugs, ...

Councilman Patino: Uh huh, yes.

Councilman Rojas: ... you were comfortable with 9,000 hours?

Councilman Patino: Well, in my days of, it was yesterday, yes. With the anesthesia, yes, and I was brainstorming. I was comfortable with 9,000 hours. But that's why, like I said, I wanted Chief Lackey here to just find out. But I know 20,000 is only 20,000 but ...

Councilman Rojas: Yeah, but ...

Councilman Patino: ... it's something.

Councilwoman Mendoza: I don't like to speak for people, but I have spoken to him about the hours. And the way that the department would make that work is if the Deputy Chief and the Chief were both furloughed. So if we're willing to ...

Councilman Rojas: Like a furlough day now and then?

Councilwoman Mendoza: Like every week they would have to furlough.

Councilman Rojas: Well, that would be up to the City Manager to authorize that.

Councilwoman Mendoza: No, that would be up to the Council, not the City Manager.

Mr. Gonzales: Mr. Mayor and Ms. Mendoza, members of the Council, I've had that conversation and this is what I told him. I don't want to see anybody taking furloughs. I don't think that's good practice or good policy. (Inaudible). My conversations with the Chief is that they can make it work with the amount of hours that they had prior. I would recommend, my recommendation, and I know some people don't like (inaudible) certainly won't like it but I don't think they need the 10,800 hours that they're asking for. And I could go into a lot of reasons why, including the overriding of the budgets and how

they've been able to move forward on budgets, unauthorized, with just hiring one other individual and we'll be coming before you for swearing in on Monday, of who used to be a reserve. That's going to take some more out of the budget. That's an additional person (inaudible). Now my job is to try to make sure that everybody is treated fairly. I think we've treated the police department very fairly. We've gone back and forth to try to accommodate what they need. The police department says this is what I need. We look at that, we try to get there. We haven't been able to get exactly where he wants. And I don't think that it's his decision to dictate what it is that he should have because he's been doing it without it. Now I'm not saying that that's one TE basically that would take out. We're talking about reserve officers. Reserve officers are supposed to be used to ensure that when your police officers, which are STE's, can't do the work then they come in and supply their expertise, their labor, and try to make those things fit. Now I can't express enough that I'm a big supporter of public safety. I've always been and I try to make do whatever we've got in this budget. I just cannot sit there and be quiet about the way we've gotten to where we're at. We haven't gotten there by accident. You know, this happened because somebody has not really looked at their budgets during the year. It's not that they haven't had it to look at. I'm not going to argue with anyone. I'm just telling you what my feeling is and that's a decision that this Council needs to make. Whatever decision you make, we'll deal with it. We'll do whatever it is that you want us to do. I know it's a good priority. I think you can make it work without taking furloughs. And like I said, I've had this conversation and I think it's manageable. Now also at the last meeting we talked about if we could see some up tip in revenue, we could see that we're getting a little bit better than what we expected, I'll be the first one to say give more hours to the reserves and the police department. But what we're seeing in these budgets right now (inaudible) and we're trying to make this thing work. So at some point down the road here in the next 6 months or 8 months or whatever, if we see that you're well and you're stable and everything, well, okay, we can (inaudible). But nobody's talking about filling the 2 positions that have been vacant in public works. They haven't been complaining about I don't have enough people. They're doing with what they've got. No one is out there arguing and advocating for our department in administration when we have 2 individuals working day in and day out, overtime, and they're not complaining about it. And what I'm saying is that there are other needs as well within the entire City that are not being met. And to just basically say, coming from one department that this is what I need and I absolutely have to have it, everybody else suffers because of it. So that's just my position.

Councilwoman Romero: I think that public works, \$9 is not enough for a family. Because I work (inaudible) dollars and I support myself and my whole household. And it's day by day that I have to, you know, and for a family, in public works, they work in the sun, they work outside. And they, starting at \$9, at least \$10. It's a City. And I think that really, I mean they go (inaudible) everything that has education. But, you know, those people that work in the sun and the wage they get, I don't believe, you know, it's a City. It's supposed to be a City. And I think \$9 for starting with, I don't think is right either. But I know right now we can't do it. But maybe in the future we could.

Mr. Gonzales: Everybody works hard and I know that some of the salaries are lower than others. I wish I could tell you that I could find more money, you know, that Mr.

Cuaron (inaudible) would come up with a magic pen that we could give those raises that (inaudible). But since we can't ...

Councilwoman Romero: Like maybe in the future. In the future, I think that public works ...

Mr. Gonzales: What we do have in the budget is still the 5% increases for this budget. They're not gone. So they will be able to see with the merit pay increases at their anniversary dates and the 2% (inaudible) this budget. So we're holding all employees harmless in that regard. They will see a little bit but I, you know, I agree with you. I don't think it's enough.

Councilwoman Mendoza: I don't have them on my personnel stuff. Do you guys? I don't see them on here.

(Simultaneous conversation)

Mr. Cuaron: It starts on page 21 at the bottom and then it goes to page.

Councilwoman Mendoza: Okay. And that's what they make is \$9 an hour right now?

Councilwoman Romero: It starts at \$9.

Councilwoman Mendoza: But I mean that's what they make though?

Councilwoman Romero: Mm hm.

Councilwoman Mendoza: I agree with you, Anita.

Councilman Rojas: Mr. Manager, Mr. Cuaron, were we discussing ...

Mr. Cuaron: Twenty-two, page 22.

(Simultaneous conversation)

Councilman Rojas: On page 16, for animal control, for proposed budget 15, I thought we had agreed we're going to drop that thing a little bit more (inaudible).

Mr. Gonzales: The contract for animal control ends on June 30th. That is their expiration date. We keep that in the budget because we don't know what's going to happen once we really start looking and negotiating that budget. There are those people who feel that they need to have animal control services. And if you take it out of the budget, we're going to have to put something else in the budget in order to hire, to go and hire our own animal control people or contract dog catcher or whatever you want to call it. We need to have somebody in that. So we're not eliminating it because it's a service to the community. You're going to need to have somebody pick up, you know, animals, stray animals or whatever. If you have a rabid dog out there or whatever, you

know, someone has to take responsibility and pick that up and that would be Pima Animal Control. I have talked with Animal Control. We've told them that we're going to be sitting down and that we want to see if we can make some changes in the contract to reduce that amount of money that we've got budgeted in the budget. Hopefully we can move that down (inaudible). The director of Animal Control has not been very cooperative in regards to changing the formulas or going to a budget, a contract that is a stand alone amount. Whereas this is a flat fee, and this is what we pay and maybe we can remove some of the services that are not needed. I've made that recommendation to them. They're not responding very favorably so at the point that we sit down in the next week or so, start negotiating that and talking about that, you may have (inaudible). I don't know. I can't answer that question.

Councilman Rojas: Well, I was just thinking and I know (inaudible). He worked with us for a while there at the County. Seventy-two thousand I thought was kind of high. I was thinking more in the 40,000 range. Save another twenty-two there.

Mr. Gonzales: Yeah, that amount is about the same amount that it was last year.

Councilman Patino: I can see you're talking about ...

Councilman Rojas: And that, you know, they're calling and they're picking up. I don't think it's been that big. We got less dogs out there.

Mr. Gonzales: We have a lot of complaints over (inaudible). A lot of complaints.

Councilman Patino: You're talking about a \$6,000 a month ...

Councilman Rojas: Yeah.

Councilman Patino: ... just on picking up ...

Councilman Rojas: Or nothing. Or picking up ...

Councilman Patino: Yeah.

Councilman Rojas: ... nothing.

Councilman Patino: Or just passing by in the vehicle.

Councilwoman Mendoza: For, we started talking about public works, I just want to comment on some of your comments because I don't really appreciate them at all. I don't think that the police department is complaining about their hours. I asked you about those hours, not the police department. What you gave them is what they said that they can handle and that's how they're going to handle those. What I asked for was because Roy, in previous discussions, had brought to us a budget with ten eight hours, and why and who authorized those hours to go down to eight seven and why that

decision was made. It was not the police department that was complaining about that. It was myself. Because if we were brought an original budget with ten eight, then it should have stayed ten eight before, or it should have stayed that way until there was discussions with the Council to drop those hours and your reasonings why you should drop those hours. The police department, on the other hand, has done a lot of good things for the City here. They (inaudible) underneath their budget. We voted on the cars that we were going to pay for one and apparently we're not even paying for our part of those when we voted as a Council to do that. Apparently, there was a decision made that we were no longer going to do that. So to me, I want you to be fair in your statements in saying when you want to rap on the police department also bring up the facts that they've done a lot of things for the City as well in return. So, you know, it irritates me a little bit because you're statements are somewhat false. And, you know, if you're going to say the negatives, then you also need to bring up the points of that the police department have paid for a lot of things that we couldn't afford out of the general fund just to save us some money so I think that those points need to be made and the fact that they're not complaining about the hours. It was myself. And I'm a councilwoman, and I'm allowed to complain about things, and I'm allowed to ask about things, and recommend things, and that's my job. If I don't do it, then I'm not doing my job so I just want to state that for the record.

Mr. Gonzales: Mr. Mayor, members of the Council, Ms. Mendoza, I'm not going to argue with you the facts that the police department has done an excellent job. I've never once said that they didn't. In fact, I have said time and time again that they have. And we're dealing with, when we're dealing with budgets ...

Councilwoman Mendoza: I didn't say that either.

Mr. Gonzales: When we're dealing with budgets, there are some times that we have to go in and do some pretty painful things. Make some recommendations that perhaps will not be popular with some people. We tried to do, wanted it to stay in as 10,800 hours is fine. I'm not disputing that. What I'm saying is that we're making recommendations. We make some recommendations, may not be popular with everybody. But when I say that I've had discussions with the police department regarding my recommendations, I'm not lying about it. And I'm certainly not talking falsehoods here. If we want to have a conversation about what we've got, what we've seen, and why we are where we are, we can do that. And I'll be honest with what I tell you because I'm not being dishonest about what we're seeing here. So there are a lot of things that happen with one department, another department, the conversations that happen between the management and department heads that you really didn't, you don't know about. Because I don't go around ...

Councilwoman Mendoza: Don't tell ...

Mr. Gonzales: ... bragging ...

Councilwoman Mendoza: ... me what I do know ...

Mr. Gonzales: ... (inaudible) ...

Councilwoman Mendoza: ... and don't ...

Mr. Gonzales: ... (inaudible) ...

Councilwoman Mendoza: ... know. You don't know ...

Mr. Gonzales: ... (inaudible) ...

Councilwoman Mendoza: ... that I don't know that.

Mayor Diaz: Wait a minute. Wait a minute.

Mr. Gonzales: ... (inaudible) I have some conversations with somebody. That's not what I do. Whatever recommendations you want to make on that issue, that's fine with me. We'll do what you want us to do.

Councilwoman Mendoza: Well, my point is that I would appreciate it if you don't sit there and bash one of our departments.

Mr. Gonzales: I'm not bashing departments ...

Councilwoman Mendoza: You did, ...

Mr. Gonzales: ... (inaudible) ...

Councilwoman Mendoza: ... you did ...

Mr. Gonzales: ... (inaudible) ...

Councilwoman Mendoza: ... (inaudible) you did.

Councilman Rojas: We're not bashing departments. We're discussing budgets.

Councilwoman Mendoza: Yeah, and so that complete statement there was unnecessary.

Mayor Diaz: Okay. Is there anymore questions in regarding the budget?

Mr. Gonzales: Do you have anything else to add?

Councilman Rojas: Anything else, Roy?

Mr. Cuaron: Not with regard to the general fund, although I would like to reiterate if you can give us direction so that we can, so that we can, I guess, stay on schedule and present you a, actually a total budget in the next four weeks so any direction you can

provide that's not already in here (inaudible). If there isn't any, then what we'll do is we will take this budget and bring it before you to adopt, along with the next presentation we have, if you want to tackle it today.

Councilman Rojas: That would be Monday, Mr. Manager?

Mr. Gonzales: Yes.

Councilman Rojas: So we've got less, is it less than 1% on this budget?

Mr. Cuaron: Yeah, it's, I think it's 1.8%.

Councilman Rojas: Oh, 1.8?

Mr. Cuaron: It's, I think it was 1.8% is the margin. In other words, the 90,000, I just simply divided 90,000 by the 4.9 million. That gave me 1.8%. So if there's no further comments or direction on the general fund, we'll take this and we will integrate it into the full-blown budget that you'll see on either this week or next week.

Councilman Rojas: I'll just, you know, I would just comment on that animal control. I thought it was too much.

Mr. Cuaron: Just a couple of comments. If you recall at one of the first meetings, it was at 100,000. And what happened was when we went back and researched that we found 60-some thousand of what it had hit in this fiscal year was for the prior year. So kind of was just stored in the actuals and after Mr. Gonzales met with the County, they actually provided a cost estimate why fifteen and that's the number here.

Councilman Rojas: So they kind of came out with this seventy ...

Mr. Cuaron: Seventy-two. And I know that there's probably, Mr. Gonzales and I probably disagree perhaps ...

Councilman Rojas: And I do.

Mr. Cuaron: ... some of you, one of the things when you look at the composition of how they allocate the cost it's really predicated on the number of, so they have a certain amount of fixed cost to run any organization, right? And then so they look at those costs and then they allocate those costs based on the calls for service within your jurisdiction. And so what's happening is our calls for service are relatively low. The fees that we get from the Animal Control are relatively low. And so that drives up our net cost and it's really, in my opinion, it's, you know, when I was at Marana, it was the same thing. It, there's a certain amount of cost to provide the service. And I think the formula that they're using is fair. One of the things that we could do, South Tucson could do, is raise their animal control fees and we have a copy of that, and we're lagging a little bit behind what the other jurisdictions have done. Not by much. It's not going to generate a whole lot of dollars but it will, you know, it will generate some

savings if that was the desire of the Council. We haven't factored that in this year's budget.

Councilman Rojas: That sounds like (inaudible). It is kind of expensive as far as I'm concerned. And I know their fixed rate is on their car and their employee and (inaudible) stuff like that. Maybe we can look at it during the year and renegotiate with them some. So I was comfortable with 60,000.

Mayor Diaz: So we're keeping the hours for the reserves and we're using the formula that was indicated in option 4.

Councilman Rojas: Yeah.

Mayor Diaz: Is that correct? Is that correct?

Councilwoman Mendoza: Are we lowering the animal control? What did you say?

Councilman Rojas: Well, I think we're going to look at it later on in the year because we ...

Mayor Diaz: Yeah, ...

Councilman Rojas: ... can't do it now. We need to get this budget out of the way.

Mayor Diaz: Yeah, we, not at this time.

Councilman Rojas: But we should look at it because ...

Councilwoman Mendoza: Yeah.

Councilman Rojas: Sounds good, looks good, Roy.

Mr. Cuaron: So we'll move forward with this budget then.

Mayor Diaz: Right.

Unknown: Yes.

Mr. Cuaron: Okay. So that was the general fund budget. And what I'm handing out to you now, as I mentioned last time, are the what they call the special revenues or restricted revenues. And this is a little different format, and I apologize for that but I think it probably lends itself to this format more so than the one for the general fund. Just as a reminder, on the special revenue funds these are revenues that we get from various agencies that can only be used for certain activities. They can't be used for anything outside of that. And so what you have here is a draft of all of the special revenue funds that we're aware of, starting with the housing program. The first three columns are housing. The next one is HURF, which is State shared revenues

generated from gasoline sales tax. They can only be used for activities related to right-of-way cleanup streets maintenance and so forth. We have, the next column over is the RTA and PAG. Most of you are familiar with the RTA. We get allocations to do certain projects. PAG, there's a regional process where they allocate monies for, again, roadway maintenance. The next one is the John Valenzuela Youth Center program. Again, I would imagine most of you are familiar with all of these programs. We have police grants. I've kind of lumped them all in and we can get to the, what those are. CDBG is the preliminary amount that the County has indicated they're going to distribute to us in the next fiscal year. And the miscellaneous category includes the EPA grant that we just were awarded; not the full amount because we don't get to expend 400,000 in one year, but talking to Mr. Gastelum, he indicated, thought we could spend about 80 grand. So 80 grand is in there. And then the last one is the fire pension reserve fund. So these are the revenues that we're expected to get. Obviously, and the Housing Director, Marilyn Chico, has provided these numbers for the first three columns. The HURF revenue number was provided by the League. RTA and PAG is provided by the IGA's that we have for RTA and then in the tip document it shows 1.2, basically 1.3 for roadway maintenance. The John Valenzuela Youth program we're anticipating getting renewed contract from Pima County on that. We're expecting \$100,000 in the forfeiture fund as new fiscal year revenue. And then CDBG is what it is. And then 80,000 of the miscellaneous, the difference, the \$30,000 is the remaining amount of the ADOT grant for the bike program. So those are the revenues. And then I didn't provide a detail for every expenditure within the, all the various funds. I just kind of highlighted the major expenditure categories. Obviously, on the housing, you know, we have wages and so forth. And so really, if you turn the page, I guess under your restricted revenues, in theory, you shouldn't exceed, your expenditures shouldn't exceed your revenues because then some other funding source, in this case the general fund is having to absorb that. So our expenditures, for the most part, equal our revenues. And so you see the expenditures. They total about 5.3 million dollars. And I do want to draw your attention to the line that says surplus deficit and then beginning fund balance and ending fund balance. If you look at the first three columns which are the housing program, and this is preliminary because I just got the numbers from Marilyn this afternoon, the two programs, all, the three programs that they've identified in housing are projected to generate a deficit. And part of that deficit, so that would typically, well, it could be bad news but they do have fund balance remaining. If you notice below that we're expecting the fund balance to come in, meaning they have cash available to offset whatever deficit they incur in the fiscal year. So they do have monies available to cover the deficit in fiscal year '15 as projected. The thing that would be troubling to me and I don't know enough about the program, to be honest with you, is whether this is a continuing. If the program is going to continue at a deficit, then we have bigger issues down the road. But for FY15, this beginning fund balance of \$460,000, I think that's what it is, can offset the projected deficit in the housing program in FY15. In HURF, we're spending everything that we get. It's just a budgeting exercise, if you have the money you ought to be out there repairing the streets or maintaining the signals or striping, whatever. So, again, we get 397, we're going to spend 397. And the same thing is true, basically, on all of the funds. PAG, RTA, the same thing. Now this might be perhaps ambitious whether we're going to spend a million eight of the PAG and RTA monies. For budget purposes, we assume that they

are because when you adopt your budget you're setting the ceiling for your expenditure limitation. So I'm showing the full amount as being expended. I don't know that we're going to do that but I think for planning purposes ...

Mayor Diaz: I'm sure we can.

Mr. Cuaron: That's good. JVYC, that's an ongoing program. Police grants, if you notice here, the deficit is 132 and that's because we have a fund balance of 132, so we're going to spend everything in our fund balance plus we're projecting to spend everything that we expect to get in new monies in FY15. And then, of course, CDBG, 120,000 for the JVYC program; 25,000 for equipment for Fire; and then another 55,000 for offset some wages in Admin and Police. And again, 110,000 we expect to spend on the EPA grant and the ADOT grant. And then on the Fire reserve, traditionally we spend about 16,000 for those retired firefighters that, give a monthly stipend. You can see that we, we're projecting a fund balance of about 81,000, 80,500 at the end of the year, carrying forward, and then we'll increase that by about \$11,000.

Councilman Rojas: To 91?

Mr. Cuaron: Yeah. So these are the, these are the restricted funds. And again, I want to emphasize that I highlighted the major expenditure categories. Ultimately when we spread this budget out we'll have more detail by line items. But I thought it was important at least to give you a macro view of the restricted funds. Pretty much, I would say if you take the housing and HURF and the PAG, RTA, JVYC, CDBG, those are pretty solid numbers. I mean we can validate those in terms of we know what the IGA with RTA is; we know what's in the (inaudible) for the PAG; we know what the State share revenues are; we know we're going to spend a hundred, well, if the County renews the agreement, 113,000 for JVYC. Really, the only, I guess variable, would be the police grant. We're assuming that we're exhausting all of the current funding that we have remaining under the current grants which are, let's see, so we're going to expend the rest of the OCDEF grant of 60 grand. OCDEF is Organized Crime Drug Enforcement Task Force. We talked about RICO, Stone Garden, about 7 grand, six nine ninety. There's a grant for Bureau of Justice, I think for bullet-proof vests. And then there's another grant for about thirty-nine, forty-five, thirty-nine hundred dollars JAG, Justice Assistance, I'm not sure what JAG, I don't know what JAG stands for. Anyway, these are existing grants that we have. And we're just projecting that we're going to use whatever remaining balance we have on those grants.

Councilman Rojas: So those grants are on (inaudible)?

Mr. Cuaron: Yes, they are. Yeah, that's a true statement. The only thing that's a variable is the 100,000 that we're projecting in new revenues ...

Councilman Rojas: Under the ...

Mr. Cuaron: ... in forfeiture funds. On the forfeiture funds.

Councilman Rojas: And all these grants, are these agreements with other entities like the County or whoever it is, they, they're, we draw them as we, as we charge for them or they're in the bank and then we pay, we utilize them and then we let them know that they're being used?

Mr. Cuaron: Virtually every grant, go ahead.

Lourdes: We actually request reimbursement after we expend.

Councilman Rojas: So JVYC is zero, you know, they're paid up to date by the County?

Lourdes: At this point, the County is working on reimbursing for those expenditures. Well, Pio Decimo just submitted the invoices for this fiscal year. So we then turn them over to the County and ...

Councilman Rojas: So Pio ...

Lourdes: ... (inaudible) ...

Councilman Rojas: ... Decimo gives ...

Lourdes: ... (inaudible).

Councilman Rojas: ... you the invoice and then your department sends them to the County?

Lourdes: Yes.

Councilman Rojas: Okay. And they're good about sending us a check sometimes? I notice your smile. You don't have to answer. I deal with the County with another agency. I know their timeliness in paying back.

Lourdes: Well, they've been a little better.

Councilman Rojas: Oh, they're getting better? Okay, good.

Mr. Cuaron: So everything from the RTA to the right, these are all reimbursement grants so we have to incur the expense and then we bill them. The HURF we get on a monthly basis. And then on housing, I believe it's on a reimbursement basis as well, right?

Lourdes: Yes.

Mr. Cuaron: But I'm not too familiar with that program.

Councilman Rojas: So this money that, that is there that's going to turnaround or neutralize itself, this 400,000 from the Housing, ...

Lourdes: Yes.

Councilman Rojas: ... it's in San Francisco or Washington, D.C. some, somewhere and Marilyn Chico is going to get it some day.

Lourdes: Yes. So what happens is she usually submits some type of reimbursement request form to the agency for the ...

(Coughing in background)

Lourdes: ... (inaudible) check runs for accounts payable and payroll. Then she, once the money comes in, they are wired to her bank account. She cuts the City a check so we can cover it.

Councilman Rojas: Okay.

Mr. Cuaron: But the 400,000 that you see in the fund balance, that's in your local bank.

Councilman Rojas: Okay. Perfect. Good. I'd like to have a little cushion. Alright. Anything else? I'm good with that.

Mr. Cuaron: Any questions?

Councilman Rojas: You don't do have to do anything, right Roy?

Mr. Cuaron: No, so if there's no questions ...

Mayor Diaz: Where, where was the hundred, the, these, money in the bank? Which line?

Mr. Cuaron: The 400,000 ...

(Simultaneous conversation)

Mr. Cuaron: The 50,408 and the ten, those monies are in the bank.

Councilman Rojas: In the bank. And as they expend it, then they pull 'em out.

Mayor Diaz: Okay.

Councilman Rojas: Okay?

Mr. Cuaron: So if there's no questions or changes, at the next meeting what I'll do is we'll transfer this data along with the general fund data onto the State forms, the Auditor General forms, and that's what gets published and we'll present that along with the

detail that you see here. But we'll publish the Auditor General forms in the paper. And then when we adopt the final budget, it'll be the same things.

Councilman Rojas: 'Cause I had asked Mr. Manager, the City Manager, we do have to publish it in a paper?

Mr. Cuaron: The statute requires that once you adopt a tentative budget, you have to publish it. Well, it used, well, it's once a week for two consecutive weeks. It used to be you could, once a week for two consecutive weeks, or four consecutive days. But I didn't see that. They must have, I don't know if the four consecutive days is still an option but we're planning on once a week for two consecutive weeks.

Councilman Rojas: Which is cheaper?

Mr. Cuaron: I think it's the latter, once a week for two consecutive weeks. And then so ...

Councilman Rojas: So then ...

Mr. Cuaron: ... (inaudible) ...

Councilman Rojas: ... we get to pick the paper?

Mr. Cuaron: It has to be a paper of daily circulation.

Councilman Rojas: Territorial or?

Mr. Cuaron: It can be the Territorial. We did that when I was in Marana, the Territorial.

Councilman Rojas: Yeah. It should be the cheapest. We can't use the Tucson Weekly?

Mr. Cuaron: It's not a daily circulation.

Councilman Rojas: The Dandy Dime?

Mr. Cuaron: So once we, once you adopt it and ...

Councilman Rojas: Hey, we gotta save money.

Mr. Cuaron: When we adopt a tentative budget, that's setting the ceiling for your expenditures, meaning that whatever you do, your expenditures cannot exceed that level. Between adoption of the tentative and the final, you get to move monies around between programs and departments or what have you, but you can't exceed debt ceiling.

Councilwoman Mendoza: Is this, this next one, is it going to, are we going to be able to have that primary property tax looked at before that? Is that, should that happen before?

Mr. Cuaron: We can bring that to you, yeah. In terms of the process to increase it beyond the current?

Councilwoman Mendoza: Yeah, 'cause I mean when you put it into like a tentative budget, I mean we have to pretty much we can't, you just said we can't exceed that.

Mr. Cuaron: Right.

Councilwoman Mendoza: So we would have to have that before we put it into ...

Mr. Cuaron: Yeah, I'm, ...

Councilwoman Mendoza: ... the tentative ...

Mr. Cuaron: ... and I don't ...

Councilwoman Mendoza: ... budget?

Mr. Cuaron: ... know if we're going to have two meetings or one meeting, but I can get you that information in advance and then, you know, await direction.

Councilman Rojas: It's only ...

Councilwoman Mendoza: (Inaudible) ...

Councilman Rojas: ... (inaudible) ...

Councilwoman Mendoza: ... (inaudible) I mean don't say it's only 18,000 now 'cause you said any penny counts.

Councilman Rojas: No, no, no, but I'm saying we don't want to have to get to the point where that would cause a delay in the, in approving it and, and processing the budget.

Councilwoman Mendoza: Well, yeah, I mean how long would it take you to get the information? A day or two?

Mr. Cuaron: Yeah, I'll look at it tomorrow and then if I don't have the answers, I can call the League and get some kind of direction.

Councilman Rojas: Answer number one, but answer number two is how long will it take after you get the answer for it to be a legal process? I don't want to get caught with.

Mr. Cuaron: Well, what I can tell you is on the, if, not that we're going to go to the truth in taxation but ...

Councilman Rojas: Okay. As long as we ...

Mr. Cuaron: ... (inaudible) ...

Councilman Rojas: ... don't have to go that route.

Mr. Cuaron: But there's probably going to be some kind of a public hearing or notice or something, but I frankly don't know the answer right now.

Councilman Rojas: Yeah, well, that's what we need to know so we don't delay the process, and we can hold you another week here captive or something.

Councilwoman Mendoza: I have confidence in Lourdes.

Councilman Rojas: We sure appreciate it, Roy.

Mr. Cuaron: My pleasure.

Councilman Rojas: Mr. City Manager, good job. And Lourdes, you're a good backup. She's a good pinch hitter. Anything else?

Mayor Diaz: Do we have any reports?

Mr. Gonzales: No reports.

ITEM #07 – REPORTS – None at this time.

ITEM #08 – CALL TO THE AUDIENCE – No response from the audience.

ITEM #07 – ADJOURNMENT - Motion by Councilman Rojas to adjourn the Special Meeting. Seconded by Councilwoman Romero. Motion passed unanimously. The meeting adjourned at 8:00 p.m.

Paul Diaz, Mayor

ATTEST:

Veronica Moreno, City Clerk

CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Special Meeting of the City Council of South Tucson, Arizona, held on the 3rd day of June, 2014. I further certify the meeting was duly called and a quorum was present.

Dated this _____ day of _____, 2014.

Veronica Moreno, City Clerk