

**PROCEEDINGS OF THE COCHISE COUNTY BOARD OF SUPERVISORS
WORK SESSION HELD ON
Tuesday, February 24, 2015**

A work session of the Cochise County Board of Supervisors was held on Tuesday, February 24, 2015 1:30 p.m. in the Board of Supervisors' Executive Conference Room, 1415 Melody Lane, Building G, Bisbee, Arizona.

Present: Patrick G. Call, Chairman; Ann English, Vice-Chairman; Richard R. Searle, Member

Staff Present: Michael J. Ortega, County Administrator
Jim Vlahovich, Deputy County Administrator
Arlethe G. Rios, Clerk of the Board
Lois Klein, Finance Department Director
Michael McGinnis, Budget Manager

Chairman Call called the meeting to order at 1:30 p.m.

ANY ITEM ON THIS AGENDA IS OPEN FOR DISCUSSION AND POSSIBLE ACTION

PLEDGE OF ALLEGIANCE

THE ORDER OR DELETION OF ANY ITEM ON THIS AGENDA IS SUBJECT TO MODIFICATION AT THE MEETING

INTRODUCTIONS

ITEMS FOR DISCUSSION

Board of Supervisors

1. Discussion and possible direction regarding 2015/2016 Fiscal Year budget.

Chairman Call noted that this would be the first discussion regarding the budget for fiscal year 2015/2016.

Mr. Ortega stated that discussions regarding the budget were brought to the Board earlier in the year due to some concerns with low assessed values and State shifts that would greatly impact the shortfall for the upcoming year's budget. He said that he would be focusing on the current year review, projections/cash flow, budget details, and any direction the Board would give staff.

He reviewed the current year and focused on the State Sales Tax showing an increase; Local Sales Tax tracking per budget projection; Vehicle License Tax is showing slight decrease; Highways Revenue showing slight increase; and turnover is higher than projected and there is a Vacancy savings of \$1,600,000 and discussed some details on the cash balances for the upcoming year.

Vice-Chairman English asked how much money had been allocated for capital cases.

Mr. Ortega noted that \$1,000,000 over a three year period had been allocated. He then listed the projections for the next four years based on current revenues and expenses. He noted that although property taxes were down, he projected that they should increase in the next couple of years.

Supervisor Searle asked about the revenue from the solar and wind projects in the Willcox area.

Mr. Ortega said that those taxes would not be a source of revenue until the 2017/2018 fiscal year and added that would also apply to the new hospital in Sierra Vista.

He stated that for the current fiscal year the County was facing a shortfall of approximately \$3,200,000. He listed the budget shortfall options: hiring freeze; using vacancy savings; using ½ cent sales tax for road maintenance; and/or using cash carry forward reserves. He outlined the current budget and noted that some of the reserves were already being used for Elections equipment and Information Technology Projects and Road Projects.

Vice-Chairman English asked about the cost for deputies.

Mr. Ortega stated that due to the Public Safety Retirement System (PSRS), deputies cost the general fund about \$75,000 not including vehicle use and equipment. He said that one option he had not listed was to raise the current property tax and outlined the various scenarios for an equal levy, the TNT rate, and the maximum allowable tax rate.

Vice-Chairman English said that she wanted to ensure the public was aware that the County had not raised taxes for the last five years and the rate was not even close to the maximum allowable rate, while other counties were at the limit or close to it.

Supervisor Searle noted that although the County had not raised the rate other tax districts were raising their rates, which increased the total tax bill for citizens.

Mr. Ortega said that even a slight raise would help the County break even. He went on to discuss the budget issues for the upcoming fiscal year: Payment in Lieu of Taxes (PILT) were unknown and up for discussion at the federal level every year; Retirement costs continue to increase, especially for Public Safety; Return to Competency costs were not increasing, but the State decides how long they keep folks; County Facilities maintenance costs have to be included as they age; Fuel is an unknown quantity that changes annually; the General Fund continues to subsidize Highway costs; and the Solid Waste enterprise has a \$2,000,000 debt to the General Fund.

The Board discussed several possibilities regarding the Solid Waste system and asked Mr. Ortega to research those possibilities for discussion in a future meeting.

Mr. Ortega stated that the Cochise Combined Trust was doing very well due to the careful use of the employees.

Vice-Chairman English asked about the PSRS's costs.

Mr. Ortega said that the PSRS was a major concern for the budget due to the drastic increases as well as the liability for the County. He noted that legislature had been changed, but PSRS ultimately sued and won, therefore the system cannot be changed to accommodate County costs.

Mr. Ortega summarized the discussion for the Board and asked if they had any direction for staff.

Supervisor Searle said that staff should review services and recommend which of those can be cut or reduced in order to address the shortfall.

Mr. Ortega said that staff could get creative and use technology as statutes that dictate mandated services are not specific in how services are provided.

Ms. Shar Porier, Sierra Vista Herald reporter, stated that as a citizen she thought that citizens should also bear the brunt by paying more taxes versus losing services.

Chairman Call said that the County tries to be reasonable with property taxes, but other taxing entities are not concerned whether or not citizens can pay higher taxes.

Mr. Ortega said that he would continue to assess the shortfall situation and schedule another work session with the board to discuss any updates on the budget.

Chairman Call adjourned the meeting at 3:32 p.m.

APPROVED:

Patrick G. Call, Chairman

ATTEST:

Arlethe G. Rios, Clerk of the Board