



## **Sierra Vista City Council**

### **Work Session Agenda June 17, 2015**

1. Call to order – 3:00 p.m. in the City Hall, Council Chambers, 1011 N. Coronado Drive, Sierra Vista, Arizona.
2. Discussion regarding 2016 Budget
3. Adjourn

City Council work sessions are informal meetings of the elected body designed to allow the Mayor and Council Members to prepare for upcoming regular meetings, have staff briefings on issues, and provide an opportunity for more detailed discussions amongst themselves. The meetings are limited by City ordinance to 90 minutes, and in accordance with the State Open Meeting Law, no discussion can take place on issues/topics that have not been posted on the agenda at least 24 hours in advance. The public is welcome to observe the meetings in person or on Cox Channel 12, but time is not reserved on work session agendas for public comment. The public may, however, address the City Council at their regular twice-monthly meetings or share written views through the City's website, [www.SierraVistaAZ.gov](http://www.SierraVistaAZ.gov).

Work Session Minutes  
June 17, 2015

1. Mayor Mueller called the work session to order at 3:02 p.m. in the Council Chambers, 1011 N. Coronado Drive, Sierra Vista, Arizona.

Present:

Mayor Rick Mueller – present  
Mayor Pro Tem Bob Blanchard – present  
Council Member Alesia Ash – present  
Council Member Gwen Calhoun – present  
Council Member Rachel Gray – present  
Council Member Hank Huisking – present  
Council Member Craig Mount – present

Others present:

Chuck Potucek, City Manager  
Mary Jacobs, Assistant City Manager  
Tom Alinen, Police Chief  
Adam Thrasher, Deputy Police Chief  
Ron York, Fire Chief  
David Felix, Finance Manager  
Pamela Weir, Management Analyst and Budget Officer  
Scott Dooley, Public Works Director  
Richard Cayer, Operations Manager  
Sharon Flissar, Engineer  
Don Brush, Community Development Director  
Jenifer Thornton, Management Analyst  
Judy Hector, PIO  
Barbara Fleming, Human Resources Director  
Victoria Yarbrough, Library and Leisure Services Director  
Emily Scherrer, Library Administrator  
Laura Wilson, Procurement Manager  
Abe Rubio, IT Director  
Jill Adams, City Clerk

2. Discussion regarding FY 2016 Budget

Mayor Mueller stated that they asked for staff to add the necessary cuts and present them options.

Mr. Potucek stated that he is presenting an option today that is not palatable. After consensus of the Council yesterday, cuts to personnel were not okayed.

Reduction of the Capital Improvements Fund

- Finance of police vehicles at 10% down with payments made over a 5 year period, \$450,000;
- Reduction of the street maintenance fund, approximately \$500,000.

Mr. Potucek stated that it has not been stated that staff has not financed vehicles in the past in order to keep the Debt Service Fund down, that Council did not have a consensus to reduce street maintenance and the CAC recommended almost doubling that fund. He stressed that

this option was not a viable one but necessary if Council wanted to keep the add-ins without increasing the revenue rates.

Council Member Mount stated the irony of raiding the capital improvements fund and building on the problem. He stated he wanted to take a closer look at the list.

Mayor Mueller asked the Council to go through the add-in list and consider if making cuts.

Council Member Gray stated that during her review of the list that she didn't see anything she felt could be taken off the add-in list including the HR Analyst position.

Council Member Huisking stated her support for the HR Analyst position, the value of the \$600 for community events and suggested that Council help fill in.

Council Member Calhoun asked if the \$600 for the SACA show included staff time. Mr. Potucek stated that the amount was for the booth rental and did not include staff time, which usually falls under comp time.

Council Member Mount asked if the transit grant was supposed to flow through the Council. Ms. Jacobs stated that the grant was initially presented to Council as a requirement of the grant. The new process does not require the approval of the elected body.

Council Member Mount asked if there was any effect on the proposed budget. Ms. Jacobs said that the \$420,000 alluded to was included in the base budget. Council Member Mount stated his support for the HR analyst position and suggested taking it out of one of the frozen police officer positions.

Mayor Mueller stated that there was a consensus to add the HR analyst position.

Mayor Mueller asked if Council wanted to add the \$687,000 back for facilities maintenance. Mr. Potucek stated that the original proposal included money for facilities maintenance that was not enough and in order to balance budget, they cut police officers and fire positions. Mr. Dooley outlined the top tier items totaled \$306,000, which they could live with if nothing happened.

Mayor Mueller asked if they could add back the \$306,000. CM – if that's what we get we'll have to make due.

In response to Council Member Huisking, Mr. Potucek clarified that the \$687,000 would be in addition to what was already included in the budget for facilities maintenance.

Mayor Mueller asked what the past history of the facilities maintenance account was over the last few years. Mr. Potucek stated that he did not have that number and would need to get back to him.

Mr. Potucek listed the first priority projects budgeted within the \$306,000 for facilities maintenance, including:

- Carpet replacement at the police station, \$75,000;
- Structural review of the Cove (Phase 4), \$7,500;
- Pool decking at the Cove, \$38,000;

- Dual side door for the Ethel Berger Center, \$35,000;
- Repaint Fire Station #2, \$8,000;
- Repair roof at Fire Station #1, \$38,000;
- Card readers at Pete Castro Center, \$31,500;
- Office panel reupholster for the clerical area, \$20,000; and
- Painting Pete Castro Center (Phase 1), \$18,000.

Mayor Mueller stated that the police department could live without carpet and the engineers could wait for paint, unless water seepage was involved. He stated that all 2<sup>nd</sup> tier projects can be delayed one year to drop the maintenance budget from \$687,000 to \$306,000 minus the two projects he listed.

In response to Mayor Pro Tem Blanchard, Mr. Dooley stated that the roof project at Fire Station #1 was a reroofing.

Council Member Gray asked if the full \$687,000 was necessary and what the potential costs would be next year. Mr. Dooley explained that the \$306,000 included \$35,000 for O & M. He stated that many of the projects have been deferred since 2008 and can be deferred another year.

Mayor Mueller stated that with all that needs to be spent, \$306,000 definitely needs to be there and asked Mr. Dooley, based on his judgment, if the 2<sup>nd</sup> Tier items needed to be added as well. Mr. Dooley stated that the security cameras at Airport were a must at \$75,000. Mayor Mueller stressed that the airport cameras should be a higher priority.

Council Member suggested that instead of adding the \$371,000 in second tier projects, adding back the Neighborhood Officer, Sports Supervisor, ED analyst, HR analyst positions and the funding for the branding, which added up to the same amount.

Mayor Mueller stated that \$687,000 is a big nut and to cut that in half and do okay. He stated that security at Airport is a priority, however, carpet and paint are not and he saw a way to save \$300,000 in tax dollars to constituents.

Council Member Gray stated that she is not concerned with details and that it was not up to Council but to rely on staff. She asked if the \$687,000 was needed or could it be reduced.

Mayor Pro Tem Blanchard stated that part of problem is that we keep putting things off into next year when we're not sure we will be in a better financial situation next year.

Mayor Mueller stated that he would rather not raise taxes this year and would rather do it next year.

Mr. Potucek stated that the City could use whatever funds Council approves effectively whether it be more or less. He thanked the Council for their level of attention to the matter and would follow up to take out the more cosmetic projects from the first tier.

Council Member Gray asked if funding was included to replace the HVAC system and what would happen if it wasn't in the budget and needed to be replaced. Mr. Potucek stated that it was not a new situation, that if the system goes out they would find a way to cover the emergency through unanticipated employee turnover or some other means to cover the costs.

Council Member Huisking asked if they could agree on a total. Mayor Mueller clarified that the total would be the amount already budgeted plus the \$306,000 for a grand total of \$460,200. Council Member Husking suggested rounding it up to \$500,000.

Mayor Mueller stated that the add back for today's purposes would be \$306,000, clarifying that he did not want to round it up and adding an additional tax burden on the citizens needlessly.

Council Member Huisking stated that she agreed with Council Member Gray on the flexibility issue, and that the \$40,000 could serve as emergency funds. Mayor Mueller and Council Member Mount agreed that adding to the budget was not a good policy.

Mayor Mueller stated that there was a consensus of bringing the \$687,000 to \$306,000 for deferred maintenance.

Council Member Ash stated that nothing in the recommended \$687,000 increase was included in the proposed budget and that \$306,000 is a substantial increase.

Council Member Mount stated that he would like to follow the proposed budget as much as possible since they were told it was manageable. Mr. Potucek stated that he still believes that the proposed budget is manageable and any increase would still not be ideal.

Council Member Huisking stated that she had recommendations not on the list regarding the rollover of non-Police vehicles and asked to hear rotation urgency and safety. Mr. Dooley stated that he did not believe there was a safety issue, only a budgetary issue. Most of the vehicles in the City fleet are police vehicles. Eight police cruisers are scheduled to be rotated out and a couple Public Works vehicles - a pickup truck and a one ton truck.

Council Member Mount proposed to fund the Economic Development Analyst position at ½ time with a later start date to allow for stability in the department and to coincide with the branding phase out.

Mayor Mueller asked how soon the position could be filled. Mr. Potucek stated that it could be three to four month process if the person is moving. Mayor Mueller replied that it would be okay to delay the process. Council Member Mount added that he didn't think it needed to be filled right away, citing a need to find the right person and save \$45,000.

Council Member Calhoun stated that we need to see what we've done to the community. She stated that she didn't want to raise the revenue but they keep cutting jobs without giving raises. Council Member Calhoun stated that she appreciates wanting to cut the \$686,000 down but would rather see them keep it. The citizens look to Council to be responsible for the decisions and the money they make and to continue cutting is insincere, and she recommended raising the revenue as needed to bring the City back to where its needs to be.

Mayor Mueller stated that Council hasn't budgeted for a January start date in the past practice and asked Mr. Potucek if he would be comfortable with a January 1 start date. Mr. Potucek stated that they have always budgeted for the full year because the employee will be back next year as part of programming. Mr. Potucek stated that we don't spend that money anyway and it gets rolled into next year's budget. Mr. Potucek asked for Council to look at the revenue options and added that staff can balance the balance the budget if the difference is under \$100,000.

Council Member Mount stated that taxes will be raised this year and may not need to be next year if done right this year. He clarified that budget money for branding this year can be rolled into the \$90,000 next year since the branding would not occur next year. He stressed a need to be careful in raising taxes on residents who will not see raises this year, highlighted the importance of giving raises to the employees who take care of those residents, and that Council should do everything they possibly can before passing tax dollars onto residents.

Council Member Gray stated that she didn't want to have this discussion next year and is seeking long term solutions. There is \$45,000 for branding this year which will need more money next year. When it comes to the revenues, it is necessary to fund the entire amount because she doesn't want to raise taxes this year and then next year because we didn't do enough.

Council Member Ash asked about the difference between an implementation and a typical marketing budget. Ms. Jacobs stated that as part of the branding implementation, there are a couple target areas that Ms. Hector reviewed in her plan that still remain target areas. It's possible the City could afford to target those areas next year and maybe it won't. Northstar made a recommendation on how the branding could be implemented and staff budgeted a minimal amount based on those recommendations. Ms. Jacobs stated that the brand is about managing our identity and it's going to be a slow process.

Council Member Mount expressed his concerns about the implementation process and would like to have a better measure on the return on investment.

Mayor Mueller asked to hinder the debate and established a consensus to fund \$797,159 to add back into the revenue, including the HR analyst position.

Mayor Pro Tem Blanchard asked how Community Development planned on implementing the Sign Ordinance without a Nit meter. Mr. Potucek explained that a nit meter would be purchased this fiscal year with surplus funds.

Mayor Mueller asked what the Council wanted to recommend in terms of revenue.

Mr. Potucek explained that in the long term, there are a number of risks out there and outlined the following three difficulties with the budget going forward:

- Reductions in state shared revenues as redistributed to the cities as a result of populations counts, in which the City is a net loser;
- Anticipated increases to the Public Safety Retirement System;
- Step plan implementation which will add \$400,000 per year.

Mr. Potucek stressed how difficult this budget is with the problems we face this fiscal year. Mayor Mueller added that the good news is that since the City continues to pay down debt, the Debt Service Fund continues to decrease. Mr. Potucek clarified the real reduction in the debt service will not occur until 2021.

Council Member Huisking stated that the City is getting \$1 million in HURF for street maintenance and asked for clarification on the \$13 million the City needs. Mayor Mueller replied that the \$13 million is what the City would need if all projects were done in one shot.

Council Member Huisking asked why more wasn't budgeted for street maintenance. Mr. Potucek stated locally generated sales tax performed well and he was surprised he was able

to project growth. He stated that with the state shared revenue situation, he hopes the City will make it through and continue to see growth.

Council Member Calhoun asked if \$13 million was needed for street repairs, how the City planned to address it over the next 5 years and eradicate that loss. Mayor Mueller stated it was a good point and asked for a quick answer. Mr. Potucek stated that at current levels, we don't catch up. We take care of some repairs as other areas deteriorate. They have maintenance treatments for the streets that need it.

Mr. Potucek explained that Avenida Cochise needs to be redone which is a big number and is looking at ways to have it completely repaired next fiscal year. On a street that has deteriorated that much, it doesn't make sense to chip seal it, but to chip seal in areas where it will be more effective. The City will never have enough to ever fix all streets but won't ever turn into a Tucson-like situation.

Council Member asked where we would be in 5 years. Mr. Potucek stated that the City is doing better than a couple years ago and with the passage of the SSVEC franchise fee, we are sitting at better levels than we could have been, to the tune of the \$300,000 range.

Mayor Pro Tem Blanchard stated how lucky the City was in getting grants to redo the three major streets: Wilcox Drive, Fry Boulevard and 7<sup>th</sup> Street. Mr. Potucek stated that the streets are the largest asset, added that the City did complete the widening of Coronado Drive, and hopes that the MPO can do major maintenance on Buffalo Soldier Trail between the two gates. He stated that there are some major projects getting done, the City will never catch up but will do the best job with funds that are available.

Council Member Huisiking asked what the policy on materials was on street maintenance. Mr. Potucek stated that they concentrate maintenance on the more heavily traveled streets by using better quality materials. The local streets continue to deteriorate. Mr. Dooley stated that for the chip sealing work, it was determined the streets that went long enough could use the standard, less expensive materials used by the County. Looking forward, they need to use better materials for heavily utilized streets.

Mayor Mueller stated that a 5-year catch up plan to bring funding up for street maintenance is a good plan to come up with this next year. Mayor Pro Tem stated that it isn't up to Council to tell staff how to fix the streets. Mayor Mueller stated that coming up with a 5-10 year plan would be beneficial to look at potential costs and to consider a secondary property tax assessment.

Mr. Potucek presented the following revenue recommendations of the CAC:

1. Increase the Retail Sales Tax with a Tiered Rate for Purchases >\$5,000
  - .2%-.5% increase to base retail/use tax rate.
  - 1% - 1.75% tier rate, depending on revenue generated and final rate.
  - Brings an additional \$1,070,000 - \$2,685,000.
  - Each .1% rate increase without a tiered structure brings an estimated \$578,515
2. Increase Bar/Restaurant Tax
  - .3%-.4% rate increase
  - Brings an additional \$221,000-\$300,000
  - Every .1% rate increase brings an estimated \$68,000
3. Increase various user fees - included in Proposed Budget
  - Fees might include ambulance fees, Animal Control adoption fees, library fines, etc.

- The CAC recommends a minimum of \$100,000 in additional revenues through carefully selected fee adjustments.

In response to Council Member Calhoun, Mr. Potucek stated that the user fee increases amounted to close to \$100,000 in additional revenue.

Mr. Potucek presented several different tax options, noting that they could be adjusted by suggestion of Council.

Revenue Option #1 – Retail Transaction Privilege Tax (sales tax) increase to cover the cost of add-ins (based on Total Adds: \$1,110,600).

- New Retail TPT Rate: 1.95%
  - .2% increase from current rate of 1.75%
  - Only impacts retail purchases; does not affect expenditures at bars, restaurants, hotels, utility companies, construction, etc.
  - Sierra Vista would maintain the second lowest sales tax rate in Cochise county, and still be .05% lower than Tucson.
  - All other tax rates would remain the same.
- City Sales tax revenue would increase by roughly \$1,157,030

Mr. Potucek noted that the total sales tax rate remains below that of Tucson's rate of 2.0%.

In response to Council Member Calhoun, Mr. Potucek clarified that it does not include the Tiered Tax.

Revenue Option #2 – Retail Transaction Privilege Tax (sales tax) and Restaurant/Bar Tax increases to cover the cost of add-ins (based on Total Adds: \$1,110,600).

- New Retail TPT Rate: 1.90%
  - .15% increase from current rate of 1.75%
  - Sierra Vista would maintain the second lowest sales tax rate in Cochise County and Arizona, and still be .10% lower than Tucson
  - Revenue increase of \$867,772
- New Restaurant/Bar Rate: 3.0%
  - .4% increase from current rate of 2.6%
  - Revenue increase of \$272,000
- Tax revenue would increase by roughly \$1,139,772

In response to Council Member Calhoun, Mr. Potucek stated that the City would still be competitive on large ticket item purchases and to be mindful of the regressivity of taxes. A balanced revenue approach does not work in Arizona since the legislature took most items out of property tax. The most regressive tax is the utility tax because everyone has to use them, along with sales tax.

In response to Council Member Calhoun, Mr. Felix explained that food can be taxed or not taxed up to a certain dollar amount. Approximately \$2.6 million would be lost in revenue if food was not taxed, based on an estimation conducted 10 years. Rating Bond agencies look at food tax as a stable revenue generator and clarified that food stamps are tax exempt.

Revenue Option #3 - Retail Transaction Privilege Tax (sales tax), Restaurant/Bar Tax, and Property Tax increases to cover the cost of add-ins (based on Total Adds: \$1,110,600).

- New Retail TPT Rate: 1.90%
  - .15% increase from current rate of 1.75%

- SV would maintain the 2nd lowest rate and be .10% under Tucson
- Revenue increase of \$867,772
- New Restaurant/Bar Rate: 2.8%
  - .2% increase from current rate of 2.6%
  - Revenue increase of \$136,000
- New Property Tax Rate: \$.1608 per \$100 of assessed value
  - Increase of \$.0472 from current rate of \$.1136
  - For a \$200,000 home, the city property tax bill would increase by \$9.44/year
  - Revenue increase to the City of \$151,000
- Tax revenue would increase by roughly \$1,154,772

Mr. Potucek added that this option brings the biggest increase allowed by State on assessed value.

Council Member Calhoun asked if the County college district was raising property taxes. Mr. Potucek stated that since it is County, he was aware what the exact rates were but to assume it was slightly increasing.

Revenue Option #4 - Retail Transaction Privilege Tax (sales tax), Restaurant/Bar Tax, and Communication/Utility Tax increases to cover cost of add-ins(based on Total Adds: \$1,110,600).

- New Retail TPT Rate: 1.85%
  - .1% increase from current rate of 1.75%
  - SV would maintain the 2nd lowest rate and be .15% under Tucson
  - Revenue increase of \$578,515
- New Restaurant/Bar Rate: 2.8%
  - .2% increase from current rate of 2.6%
  - Revenue increase of \$136,000
- New Communications & Utilities Tax Rate: 4.0%
  - Increase of 2% from current rate of 2%
  - Would not have a net impact on SSVEC bills (Franchise fee absorbed)
  - Revenue increase of \$478,613
- Tax revenue would increase by roughly \$1,193,128

Mr. Potucek stated that this option does not impact franchises of gas and electric already in place, but primarily cell phone and water utilities.

In response to Council Member Calhoun, Mr. Potucek stated the current tax rate on water is currently at 2% and would go up to 4% with this option.

#### Tiered Retail TPT

- Scenario 1: Base retail rate of 1.95%, 1.45% on any amount above \$5,000 on a single purchase.
  - Total revenue: \$790,030; roughly \$367,000 less than a flat rate of 1.95%
- Scenario 2: Base retail rate of 2.05%, 1.55% on any amount above \$5,000 on a single purchase.
  - Total revenue: \$1,368,545; roughly \$367,000 less than a flat rate of 1.95%

In response to Council Member Ash, Mr. Potucek clarified that purchases outside of vehicle sales would amount to more than the estimation.

Council Member Mount asked if vehicle sales were projected to increase in the projections. Mr. Potucek stated that they are not projecting an increase in sales in a conservative approach. He stated that proprietary information from dealerships would be needed to see how their sales grow over time, adding that he could only predict that revenue would grow but not by how much.

Council Member Calhoun asked what the normal increase would be for vehicle sales. Mr. Potucek stated that getting exception reports from the local dealers about vehicles purchased in Tucson would be useful information to have to figure out if revenue could be gained by keeping purchases in Sierra Vista.

Council Member Calhoun asked if TPT is up then people would buy more and if TPT was down, if people would not be buying less. Mayor Mueller clarified that it was the opposite effect. Council Member Calhoun clarified that she meant revenue. Mr. Potucek explained that if revenue went up, they would analyze the current rates and revenue went up, they would evaluate local economy.

Council Member Ash asked if there was a certain percentage rate accepted by budget experts to help incentivize people to purchase luxury goods. Mr. Potucek stated that local business owners already take advantage of the sales tax rate in Sierra Vista being .2% lower than Tucson and could be a reason to attract new and retain buyers.

Mayor Mueller stated that the budget number they are looking for is \$797,600 and proposed using Revenue Option #4 with the following adjustments:

- TPT Rate: .01 increase from 1.75% to 1.85%, \$578,515;
- Restaurant / Bar Rate: .02% increase from 2.6% to 2.8%, \$136,000;
- Increase property tax rate to make up the \$83,085.

Mr. Potucek stated that the property tax rate would slightly over .5% if taken to the full amount.

Council Member Gray stated that she would not support scenario that would result to raises in property taxes. Council Member Calhoun agreed because other would be tapping into property taxes.

Mayor Mueller agreed that it was important to consider that the college is going to go up 2% so the County rate will go up. He stressed a need to use a steady base to cover the cost of personnel which will add an additional \$400,000 every year infinitum and that the only steady base was property tax.

Mayor Pro Tem stated that the legislature used to allow the cities to raise the taxes however they wanted but have not put in restrictions capping it at 1.51% and the City should do the best they could without hitting that cap. He suggested increasing the sales tax rate to 1.90% to stay competitive with Tucson. Mayor Mueller noted that it would bring in more revenue than they needed. Mayor Pro Tem Blanchard stated that they need more.

Mayor Mueller stated that the City has a dollar amount that they need to raise and that the new scenario would put it over what we need to balance the budget. In response to Mayor Pro Tem Blanchard, Mayor Mueller explained that local laws allow us to raise only to what we need, not more and said that now was not the time to go through the list again.

Council Member Mount proposed a new alternative option. It consists of:

- Tiered retail system figure: 1.95 base rate, 1.25 at the tiered rate, \$606,000
- .04 increase of Restaurant/Bar from 2.6% to 3.0% (like Revenue Option #2), \$272,000
- Totals to roughly \$810,000 in increased revenue.

Council Member Mount stated that the tiered tax is a bet on our businesses and a way to retain customers and bring new ones in. He stated that if people come from the outside to make purchases, they are likely going to come in for a bite to eat at the restaurants and bars. Council Member Mount stated that it is good to leverage our businesses and help market them as well.

Council Member Gray stated that the tiered tax rate the car dealerships felt was sustainable was 1.5% and anything under that they did not think they could make up the difference.

Council Member Mount explained he's heard many numbers down to 1% and that he was splitting the difference. Council Member Gray explained that the dealerships are averaging sales of 12 vehicles per month and to recoup the difference they would need to double that number. The dealerships felt they could attain 1.5%.

Council Member Gray asked for the following scenario:

- 1.5% tiered tax rate;
- .04 increase of Restaurant/Bar from 2.6% to 3.0%

Council Member Mount stated that he's heard from many dealerships who state that they would prefer the tiered tax rate set as low as possible.

Mayor Mueller asked who supported the tiered tax plan. Council Members Mount and Gray affirmed their support. Mayor Mueller stated that he felt there was inequalities in making the regular person pay a higher tax rate since they would not be making large purchases.

Council Member Ash stated that she has yet to hear an argument for the City current tax rates that are currently .25% lower than Tucson's rate. She stated that the tiered tax rate balanced the tax burden on retailers.

Council Member Mount stated that those businesses endorse the tiered tax such as the car dealerships, the hotel association, the Chamber of Commerce, and the EDF. Mayor Mueller clarified that the EDF manager endorsed it, not the EDF.

Council Member Ash stated that she has not heard any car dealerships trumpet the already low taxes. Council Member Mount stated that the tiered tax would give them that ability and gives a bold alternative to the holistic tax approach.

Council Member Ash asked to see a tiered tax system that would not burden retailers in to benefit another tier.

Mayor Pro Tem Blanchard stated that he was not in favor of the tiered tax.

Council Member Huisling asked what metric and length of time would be appropriate to measure the effectiveness of the tiered tax.

Council Member Mount stated that the tiered tax could be sunsetted out and to vote him out if it did not work.

Council Member Calhoun suggested that they try the tier to see if it makes a difference and to sunset it out in 3-5 years if not successful.

Mayor Mueller stated that the taxes are reviewed every year and the sunset may be an appropriate vehicle.

Council Member Ash clarified that if TPT taxes were higher than Tucson, she would support a Tiered Tax System and that she understands the theory in which it would work that by decreasing taxes, sales would go up. However, since our sales are low, implementation of the tiered tax does not make sense to her budgetary, citing a lack of evidence.

Council Member Mount added that there are 24 cities in Arizona who utilize a tiered tax and have not abandoned that structure.

Council Member Ash stated that it was an apples and oranges comparison that would make sense if our taxes were higher than Tucson.

Council Member Calhoun stated that people are not rushing to Sierra Vista to purchase vehicles even though our taxes are already lower than Tucson.

Council Member Mount states that it would be an incentive to increase sales, noting that all the car dealerships in Tucson are in County enclaves and the cities that utilize a tiered tax structure do so to remain competitive with the counties.

Council Member Calhoun talked about how Wickenburg tried to get sales from Phoenix and it failed even though they're taxes were .5% lower than Phoenix.

Council Member Mount what is we could show Sierra Vista that although taxes are being raised that they are investing in the local economy, and doing something bold while still hitting the budget.

Council Member Huisling stated that she made 2 car purchases this year but did not consider taxes when making those purchases. She stated that it may or may not be the magic bullet and is not convinced that it would work when there are other options that get us where we want to go that are consistent and reliable.

Mayor Mueller stated that there was a consensus against the tiered tax.

Council Member Gray stated that there was significant support from businesses in the City, no option will be the magic bullet and that the tiered tax was worth looking at if they review it every year.

Mr. Felix presented a working spreadsheet (attached) showing options for a Tiered tax at 1.5%, 1.25%, and Revenue Option #4. Mr. Felix noted that the calculation for the tiered taxes was based off of information provided by a single car dealership, and the estimated losses would likely be greater.

Other scenarios were inputted into the spreadsheet. A consensus was made not to raise property taxes.

The following scenario was requested by Mayor Mueller:

- Sales Tax : .1% increase from 1.75% to 1.85%

- Restaurant / Bar: .25% increase from 2.6% to 2.8%
- The total difference in revenue equated to \$625.00 of the target budget.

Council Member Gray asked if a minor initial drop in sales tax was accounted for based on historical trends. Mr. Potucek stated that it is not accounted for but is based on actual sales.

Several other scenarios were input into the spreadsheet by request of the Council by Mr. Felix.

Revenue Option #4 was input which included a 4% increase in Utility taxes.

Council Member Mount asked to stop inputting numbers into the spreadsheet and asked to make more cuts.

Mayor Mueller's above-reference option was again inputted into the spreadsheet. Mayor Mueller stated that the bottom line was a need to raise revenue. The difference of \$625 could be brought down by \$600 to \$25 by omitting the SACA Home Show booth fee.

Council Member Mount suggested the using the first tier option. Mayor Mueller replied that they did not have support for the tier.

Mr. Potucek stated that based on what he's heard in the discussion there was no consensus for raising utility taxes or instituting a tiered tax. The general consensus seemed to be in a combination in Sales Tax and Restaurant/Bar taxes.

Council Member Mount suggested making more cuts, such as moving the start date for the ED analyst to half the year.

Mr. Potucek stated that a sale increase to 1.90% with a restaurant / bar increase between .2% and .3% should bring them close to their target budget.

Mayor Mueller agreed with Council Member Mount to move the ED analyst start date to January 1. Mayor Pro Tem Blanchard and Council Members Gray and Huisking agreed that the ED analyst position should be budgeted for the full year.

**Mayor Mueller recessed the work session at 4:57 p.m.**

**Mayor Mueller reconvened the work session at 5:10 p.m.**

Mayor Mueller stated (off-mic) that they had a balance of \$625 which could be taken from the Mayor's salary or Council's Travel & Training budget.

Council Member Mount spoke about his frustration that discussion about the revenue was pushed until today, how they have invested a lot of time into the process and should be more careful to integrate the CAC findings into their discussion.

Mayor Mueller stated that they have discussed the CAC finding throughout the process and that they would not agree on everything in the community. Mayor Mueller stressed a need to make tough decisions and expressed the discussions made with the CAC and the businesses.

Council Member Calhoun stated that she would not be making a final decision today, expressed her discomfort in decreasing the Capital Improvements Fund, or taking funds down to the penny. Council Member Calhoun stated that she did not want to overly raise taxes,

noted how items were discussed and completely eliminated, and how it was not enough to pin down to \$797,000 in increases.

Council Member Gray stated that the Mayor asked for options and does not want to repeat this process next year. She suggested budgeting for the full amount in deferred maintenance to be budgeted at \$687,000 and to fund it using Option #1.

Mayor Mueller stated that the Council had a consensus at \$306,000 and asked if they had changed their minds

Council Member Huisking stated that she would be amenable to raising the budget.

Council Member Gray formally suggested using Revenue Option #1 and to reinstate the full \$687,000 for deferred maintenance.

Council Member Calhoun stated that they need to look to the future and prepare for it by expanding on what they've settled on.

Council Member Gray stated that they will be budgeting for one-time expenses in the deferred maintenance budget which would expand the budget in preparation for future costs, such as the step plan implementation, and gives them room to breathe.

Council Member Huisking agreed that preparing for future increases is necessary, such as the PSRS, and agreed that it gives more breathing room for next year.

Mayor Mueller clarified that the plan was to raise taxes this year so they wouldn't need to raise taxes next year. Council Member Gray explained that there would be no extra money this year but would be applied to deferred maintenance.

Mayor Mueller asked if Council wanted to eliminate the \$380,000 in savings that Council previously had a consensus. Council Member Gray stated that it was a reluctant consensus.

Council Member Calhoun stated that it was necessary to move progress forward and that this was perhaps the bold risk that was suggested.

Mayor Pro Tem agreed to go with Revenue Option #1 and to reinstate the deferred maintenance, therefore establishing a consensus.

Council Member Gray asked for Mr. Felix to add the full \$687,000 in deferred maintenance, bringing the budget to \$1,178,159 to input Revenue Option #1 (1.95% Sales Tax). The projected difference was just over \$46,000.

Mr. Potucek noted that it is a 3-month process to implement the new sales tax and that they could go below the tentative budget amount but not above. Council sets the cap on July 2<sup>nd</sup>, so there is still time to make adjustments.

Mayor Mueller again established a consensus, Council Members Gray, Calhoun, Huisking and Mayor Pro Tem Blanchard in favor of the increased budget amount.

Council Member Ash stated that she is still looking at the 1.95%, would have liked to have kept the deferred maintenance at the \$306,000 mark and kept the sales tax at or below 1.85%.

Mr. Potucek stated that staff will now rebalance the budget which will take a few days. On Thursday, July 2<sup>nd</sup>, Council sets the cap. The final budget adoptions will occur on July 21<sup>st</sup>, 2015. Setting of the property tax rate will complete the process at a regular Council Meeting.

Mr. Potucek thanked the Council for their efforts and staff for being patient throughout the process.

Council Member Calhoun thanked Mr. Potucek, Mr. Felix, Ms. Weir and staff for working on the numbers. She stated it's been a long process but a good one and it was good to hear all the details from each of the departments.

Council Member Mount thanked everyone for their help, support and knowledge. He stated that it had been a contentious process and apologized if he acted like a jerk. Council Member Mount stated that Council wishes to move forward, even if they don't always get what they want, and will continue to look forward and getting other things done for the City.

Council Member Gray thanked the staff and noted how difficult it must have been for Finance and the City Manager's Department. She stated that not everybody got what they wanted, most got some and others got none. Council Member Gray stated that she was glad the process was behind us and that it has been the hardest part of being on Council, however educational.

Council Member Ash had no comment.

Council Member Huisking thanked staff and commented on dreaming about the budgeting process. She stated her pleasure about where they are in the process and how not everyone knows what it's like to go through. Council Member Huisking stated that this has been one of the most difficult years in her three terms in office. She stated her appreciation for all the thoughts, frankness and comments and will follow the Mayor's suggestion to walk around each department to talk to staff about their needs.

Mayor Pro Tem Blanchard thanked staff for their time.

Mayor Mueller stated that appreciated the team building of the Council and that he is looking forward to more frank discussions. Mayor Mueller thanked staff, department heads and the CAC. He stated that Council wasn't able to do all of their recommendations because of fiscal restraints. He thanked the members of the audience for coming in, their interest and their comments and for the efforts of the community.

### 3. Adjourn

Mayor Mueller adjourned the work session at 5:37 p.m.

  
\_\_\_\_\_  
Mayor Frederick W. Mueller

Minutes prepared by:

  
\_\_\_\_\_  
Helen Lee, Administrative Secretary

Attest:  
  
\_\_\_\_\_  
Jill Adams, City Clerk

# Proposed Budget Add-ins, Based on Council

## Consensus

- Community Development**
- Additional Neighborhood Officer \$55,000
- Community Events \$600

### Leisure and Library

- Sports Supervisor \$58,000

### Public Affairs and Tourism

- ED analyst \$90,000
- Fund Branding implementation \$45,000

### Police Department

- Two frozen officers restored \$175,000

### Public Works

- Facilities maintenance \$687,000

### Administration

- HR Analyst (still up for discussion) \$67,559

**Total Adds: \$1,110,600\***

\*\$1,178,159 if HR Analyst is added



# FY2015-2016 Proposed Budget

June 15, 16, 17 2015

Chuck Potucek, City Manager  
 Mary Jacobs, Assistant City Manager  
 Pamela Weir, Management Analyst  
 David Felix, Finance Manager



## Agenda

- Budget Summary
- Revenue
- Personnel
- Debt
- Capital
- Grants
- Operations and Maintenance
  - By Department
  - Carryover
- CAC Revenue Recommendations
- Next Steps



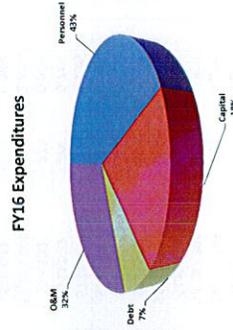
## Budget by Major Fund

	FY15 Budget	FY16 Budget	Change
General Fund	32,589,520	31,714,461	(875,059)
HURF	7,771,648	4,095,329	(3,676,319)
LTAF	1,858,660	1,556,899	(301,761)
Airport	3,545,957	3,389,209	(156,748)
CIF	870,000	1,490,000	620,000
Sewer	6,445,473	5,377,081	(1,068,392)
Refuse	6,195,123	6,439,745	244,622
All Other Funds	14,293,725	15,126,102	832,377
<b>Total</b>	<b>73,570,106</b>	<b>69,188,823</b>	<b>(4,381,283)</b>



## Budget by Expenditure Type

Type	Amount
Personnel	30,039,126
Debt	4,771,863
Capital	12,229,999
Operations & Maintenance	22,147,835
<b>Total</b>	<b>\$69,188,823</b>



## Revenue Summary

	FY15 Budget	FY16 Budget	% Change	FY16 % of Total
City Sales Tax	\$16,723,106	\$17,115,225	2%	24.74%
Property Tax	\$369,537	\$364,000	-1%	0.53%
State Shared Revenue	\$14,015,003	\$14,326,840	2%	20.71%
Franchise Tax	\$1,325,000	\$1,325,000	0%	1.92%
Licenses and Permits	\$577,500	\$458,875	-21%	0.66%
Grants	\$11,948,711	\$7,857,645	-34%	11.36%
User Fees	\$2,007,500	\$2,026,100	1%	2.93%
Ambulance	\$1,600,000	\$1,500,000	-6%	2.17%
Fuel Sales	\$1,739,157	\$1,735,209	0%	2.51%
Planning Revenue	\$56,500	\$121,340	115%	0.18%
Sewer Carryover	\$1,096,707	\$743,218	-32%	1.07%
Sewer	\$3,998,579	\$4,527,176	13%	6.54%

## Revenue Summary Continued

	\$0	\$738,052	1.07%
Refuse Carryover	\$4,957,623	\$4,707,193	-5%
Development Fees c/o	\$2,099,435	\$2,297,304	9%
Development Fees	\$500,556	\$440,556	-12%
Employee Premiums	\$3,188,500	\$3,828,000	20%
Donations	\$1,796,154	\$558,962	-69%
Transit Fares	\$110,000	\$115,000	5%
Police/ACO Revenue	\$42,000	\$140,000	233%
CIF Carryover	\$762,384	\$784,413	296%
Carryover	\$525,368	\$511,532	-3%
Interest	\$18,500	\$13,500	-27%
Notes Payable	\$1,752,300	\$1,251,000	-29%
Sale of Fixed Assets	\$0	\$40,000	-
Misc Revenue	\$2,359,986	\$1,662,683	-30%
<b>Total</b>	<b>\$73,570,106</b>	<b>\$69,188,823</b>	<b>-6%</b>

## Personnel Changes in FY16

### Implementation of Classification and Compensation plan

- Frozen/Reduced Positions- Nearly \$700,000 in personnel cost reduction
  - Economic Development Management Analyst
  - 2 Police Officers
  - Full-time Animal Control Officer
  - Leisure Services Supervisor
  - Recreation Leader
  - 2 Fire Fighters
  - Deputy Fire Chief
  - Library Circulation Coordinator- Reduced to Part Time

### New Positions

- Community Development Administrative Secretary (\$40,000)
- Finance Sewer/Sanitation Accounting Assistant (\$40,000)
  - Paid for by sewer and refuse enterprise funds
- Refuse Driver
  - Paid for by refuse enterprise funds

## Classification and Compensation Plan Implementation

- Adopted proposed Classifications, based on job analysis and job evaluation results (internal equity – hierarchy of jobs).
- Adopted proposed pay structures (Exempt, Non-Exempt, Senior Management) at 100% market.
- Adopted the proposed step pay structure for non-exempt employees.
- Impact to the General Fund was roughly \$1.2 million, offset by nearly \$700,000 in frozen vacant positions.

### Personnel Numbers By Department

Department	Full-Time Employees	Part-Time Employees/Interns
Administration	41	14
Police	92	6
Public Works	106	26
Fire	52	0
Leisure and Library	23	115
Community Development	10	1
<b>TOTAL</b>	<b>324</b>	<b>162</b>

At its peak, the City had 397 full-time employees.



### Personnel Costs by Fund

Fund	FY15	FY16	Change*
General Fund	22,858,472	\$24,135,733	\$1,277,261**
HURF	1,107,768	\$1,468,066	\$360,298
Airport	111,357	\$119,662	\$8,305
Sewer	1,307,718	\$1,578,817	\$271,099
Refuse	1,439,942	\$1,842,977	\$403,035
LTAf	809,660	\$798,473	\$(11,187)
MPO	N/A	\$95,398	95,398
<b>TOTAL</b>	<b>\$27,634,917</b>	<b>\$30,039,126</b>	<b>\$2,404,209</b>

\*Change is predominately a result of implementing the class/comp plan.  
 \*\*General Fund absorbed the PSPRS increase in addition to class/comp.



### Debt

- The City finances certain capital projects, depending on a variety of factors, e.g., type of project, project cost, expected life
- Financing term matches the expected life of the equipment
- Two types of debt:
  - Bonds (long term)
  - Lease purchase (short term)



### Debt Service By Fund (P&I)

Fund	FY 2015 Budget	FY 2016 Budget	Change
General	\$187,300	\$100,214	\$(87,086)
HURF	\$76,800	\$66,471	\$(10,329)
Refuse	\$568,810	\$297,843	\$(133,767)
Sewer	\$679,700	\$672,168	\$(7,532)
Airport	\$75,400	\$75,347	\$(53)
Park Dev	\$-0-	\$126,750	\$126,750
SVMPIC I&R	\$3,445,400	\$3,425,570	\$(19,830)



## Outstanding Debt

	July 1, 2015 Bal.	Prin. Pmt.	June 30, 2016 Bal.	For
DB009	12,030,000	1,760,000	10,270,000	FS#3, PD Expansion, etc.
DB012	6,175,000	930,000	5,245,000	Refi Ser 2000 Bonds
DB013	6,885,960	493,900	6,392,060	EOP Clarifier
DB014	422,728	209,803	212,925	Vehicles & Equipment
DB018	2,222,073	414,605	1,807,468	Park Land, Vehicles & Equip.
<b>Total</b>	<b>27,735,761</b>	<b>3,808,308</b>	<b>23,927,453</b>	



## Outstanding Debt



## Capital Projects

Item/Project	Fund	Department	Budgeted Cost	Payment Method
Security Appliance Upgrade for City Internet	General	IT	\$20,000	Cash-CIF
Tyler Content Management Scanners	General	IT	\$9,600	Cash
Ford Vehicle Replacements	General	Police	\$500,000	Cash-CIF
Cove Building Repairs	General	Public Works	\$250,000	Cash-CIF
Annual Street Maintenance	HURF	Public Works	\$700,000	HURF
Fry Blvd / 7th St Signal Phase 2	HURF	Public Works	\$250,000	HURF
7th St Pedestrian Crossing	HURF	Public Works	\$225,000	HURF
Bus Equipment & Facilities	LTAf	Public Works	\$98,086	Grant
Fuel Software Replacement	LTAf	Public Works	\$202,000	Grant
Possible Police Grants	PD SR	Police	\$255,000	Special Revenue
Possible Police Grants	Grant	Police	\$1,453,659	Grant



## Capital Projects

Item/Project	Fund	Department	Budgeted Cost	Payment Method
Possible Ballfield and Parks Grants	Grant	Public Works	\$1,921,374	Grant
Possible Leisure Grants	Grant	Leisure	\$100,000	Grant
LED Taxiway and Runway Retrofit	Airport	Public Works	\$115,000	Grant
Taxiway J & G Reconstruction	Airport	Public Works	\$2,033,000	Grant
Avenida del Sol Widening	Dev. Fees	Public Works	\$500,000	Development Fees
Coronado Drive Widening	Dev. Fees	Public Works	\$1,200,000	Development Fees
West End Property Cleanup	CIF	Public Works	\$90,000	CIF
Sewer Line Repair System	Sewer	Public Works	\$19,000	Sewer
Sewer Line Capital Maintenance	Sewer	Public Works	\$215,000	Sewer
Refuse Trucks (2)	Refuse	Public Works	\$620,000	Finance
4-Wheel Loader	Refuse	Public Works	\$175,000	Finance



### CDBG Projects

- 5 Additional Streetlights in northwest Sierra Vista
- ADA Improvements: accessible park pathways, curb/gutter/sidewalk work
- Soldier Creek park accessibility

\$216,244

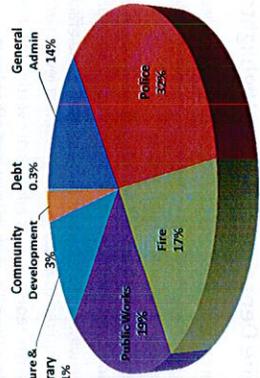


### Operations and Maintenance (All Funds)

Department	FY15 Budget	FY16 Budget	Difference
Mayor/Council	\$ 99,050	\$ 109,895	\$ 10,845
City Manager	\$ 901,180	\$ 1,375,602	\$ 474,422
Administrative Services	\$ 1,577,462	\$ 1,426,669	\$ (150,793)
Court/Legal	\$ 125,500	\$ 100,300	\$ (25,200)
General Government	\$ 4,095,000	\$ 4,865,500	\$ 770,500
Police	\$ 1,095,394	\$ 796,986	\$ (298,408)
Fire	\$ 441,452	\$ 362,031	\$ (79,421)
Public Works	\$ 6,003,415	\$ 6,519,458	\$ 516,043
Sewer	\$ 1,899,930	\$ 2,225,200	\$ 325,270
Refuse	\$ 2,418,225	\$ 2,838,125	\$ 419,900
Transportation	\$ 458,788	\$ 458,340	\$ (448)
Leisure & Library	\$ 794,625	\$ 969,462	\$ 174,837
Community Development	\$ 715,278	\$ 100,267	\$ (615,011)
<b>Total</b>	<b>\$ 20,625,299</b>	<b>\$ 22,147,835</b>	<b>\$ 1,522,536</b>



### Operations and Maintenance (General Fund)



GF O&M Expenditure Total: \$7,446,114





### Fire Department Budget Highlights:

- Department not assigned any Council strategic initiatives.
- Base budget reflects less than status quo with two firefighter positions and the deputy chief position left vacant.
- O&M budget closely evaluated and reductions made in specialized supplies and overtime based upon actuals from last year.
- Integration with Fry Fire District has provided some efficiencies, but the City is required to meet minimum staffing levels per the IGA.
- Vacancies may require use of additional overtime next fiscal year. Also provides less flexibility with injuries and other leave.



### Fire Department Budget Highlights (continued):

- Progress toward accreditation will be affected.
- Department using more creative ways to get training to personnel, including e-learning modules.
- CARE program will start August 1 part-time, and the City could see improvements to call load over time.
- New dispatching module will improve efficiencies in how units are deployed through GPS tracking.



### Fire

Expenditures	FY 2014/2015 Budgeted	FY 2015/2016 Budgeted
Total Personnel	\$ 4,719,739	\$ 5,023,051
Total O&M	\$ 433,452	\$ 362,031
Total Capital	\$ 1,060,000	\$ -
Totals	\$ 6,213,191	\$ 5,385,082



### CAC Recommendations -- Fire Department

- Funding of vehicle rotation plan over time. Apparatus and ambulance replacement due next fiscal year, estimated \$1.2 million.
- Increase ambulance fees -- included in budget starting January 1.

### Recommendations for Potential Budget Increases

1. Restore two frozen firefighter positions \$110,000
2. Phase I, Communications Upgrade \$45,000



# Community Development



## Community Development Budget Highlights:

- Major abatement funding reduced by 50%.
- Staff training cut by 43%.
- Neighborhood improvement supply funds cut by 81%.
- Participation in multiple community events cut.
- Additional administrative position added, offset by CDBG administrative allocation. New position will:
  - Free up time of Management Analyst to work on CDBG, housing, neighborhood enforcement.
  - Increase efficiency of recordkeeping and follow up on neighborhood enforcement.
  - Reduce number of hours professional staff spends at front desk.
  - Allow more progress toward electronic file storage.



## City Council Strategic Initiatives Assigned to Community Development

- Develop a design concept report for the future Town Center.
- Update and implement a plan to beautify public infrastructure that increases walkability and bikeability on Fry Blvd. and North Garden Ave.



## Community Development

Expenditures	FY 2014/2015 Budgeted	FY 2015/2016 Budgeted
Planning	\$ 483,975	\$ 511,038
Building Inspections	167,366	231,225
<b>Total Personnel</b>	<b>\$ 651,341</b>	<b>\$ 742,263</b>
Planning	\$ 86,703	\$ 50,392
Building Inspections	13,700	9,325
Neighborhood Enhancement	614,875	40,550
<b>Total O&amp;M</b>	<b>\$ 715,278</b>	<b>\$ 100,267</b>
Neighborhood Enhancement	\$ -	\$ 90,000
<b>Total Capital</b>	<b>\$ -</b>	<b>\$ 90,000</b>
<b>Totals</b>	<b>\$ 1,366,619</b>	<b>\$ 932,530</b>



**CAC Recommendations -- Community Development**

- Additional Neighborhood Enforcement -- partially funded with additional administrative secretary. Abatement funds cut.
- Additional administrative support -- position added.

**Recommendations for Potential Budget Increase:**

1. Additional Neighborhood Officer \$55,000
2. Building Abatement restoration \$20,000
3. Restore Community Events \$600
4. Town Center Design Concept Report \$50,000
5. Restore Neighborhood Enhancements \$3,000




*Leisure & Library Services*



**City Council Strategic Initiatives Assigned to Leisure & Library Services**

- Complete relevant goals of the national Let's Move program for Sierra Vista to improve community health and wellness while maximizing partnerships.
- Develop an attainable master plan for the former Kings Court tennis center to incorporate into the small parks plan.
- Develop partnerships and strategies with area wellness partners that foster a healthy, active lifestyle.



**Leisure & Library Services Budget Highlights:**

- Vacant Sports Supervisor position frozen.
- Recreation advertising and supplies reduced \$11,000.
- Library hours modified -- Closed on Sunday, Monday--Thursday: 10:00 a.m. - 7:00 p.m., Friday: 10:00 a.m. - 6:00 p.m., Saturday 10:00 a.m. - 4:00 p.m.
- Estimated utility savings of \$5,000.
- Vacant full-time position converted to part-time, saving \$21,500.
- Allows the City to better meet staffing requirements with only two librarians.
- Sunday is a low use day, and Mondays have traditionally been very busy.
- Fines increased to .20 per item per day with estimated revenue increase of \$25,000.
- Customer service significantly impacted at existing staffing levels.
- Lifeguard salaries increased in budget, which should improve recruitment and programming availability at the Cove.
- No changes recommended at the Cove after detailed analysis and previous Council presentation.
- Participation in Kid's W.O.R.L.D. increasing.
- Proposed signature event for next spring not included.



Leisure & Library Services

	FY 2014/2015 Budgeted	FY 2015/2016 Budgeted
<b>Expenditures</b>		
Administration	\$ 527,053	\$ 471,605
Leisure	870,361	1,025,223
Cultural	153,426	162,071
Aquatics	367,834	527,634
Museum	52,175	64,195
Library	563,006	557,996
<b>Total Personnel</b>	<b>\$ 2,533,855</b>	<b>\$ 2,808,724</b>
Administration	\$ 153,900	\$ 149,194
Leisure	274,800	382,250
Cultural	9,000	9,000
Aquatics	73,600	55,100
Museum	13,800	15,850
Library	283,225	358,068
<b>Total O&amp;M</b>	<b>\$ 806,625</b>	<b>\$ 969,462</b>
Leisure	203,200	100,000
Aquatics		250,000
<b>Total Capital</b>	<b>\$ 203,200</b>	<b>\$ 350,000</b>
<b>Totals</b>	<b>\$ 3,543,680</b>	<b>\$ 4,128,186</b>

- CAC Recommendations—Leisure & Library**
- Increase personnel in high demand customer service areas -- not funded
  - Evaluate service level cuts or improvements at the Cove -- evaluated.
  - Adjust the hours of the Sierra Vista Public Library to reduce costs while maintaining a high level of service -- included.
- Recommendations for Potential Budget Increase:**
- |                              |                |
|------------------------------|----------------|
| 1. Signature City event      | \$10,000 (net) |
| 2. Restore Sports Supervisor | \$58,000       |
| 3. RecTrac mobile app        | \$13,000       |



**Sierra Vista  
Public Affairs Office**



**Sierra Vista  
Business**

- City Council Strategic Initiatives Assigned to PAO/ED:**
- Establish quantifiable metrics to effectively measure the City's economic development efforts.
  - Identify workforce development needs with other partners that are necessary to provide quality employees to current and future employers.
  - Partner with K-12 schools to encourage programs that provide exploration of professional career options.
  - Develop, finance and implement a program to incentivize West End commercial property improvements.
  - Develop and invest in a tourism marketing strategy that is based on Sierra Vista's target markets, incorporating partners to maximize economic impact.
  - Leverage partnerships to effectively promote Sierra Vista for both business attraction and tourism.

### PAO/ED Budget Highlights:

- Economic Development Analyst position and related retention programming expenses cut.
- City page eliminated.
- Printing of City strategic plan eliminated.
- Limited resources available to transition the City to its new brand.
- Economic Development website underway, and phase II is included for next year. New visitor website should be operational shortly.
- Full year operation of ED function will allow significant progress over last year.



### Public Affairs/Tourism

Expenditures	FY 2014/2015 Budgeted	FY 2015/2016 Budgeted
Total Personnel	\$ 363,870	\$ 376,689
Total O&M	\$ 295,080	\$ 188,298
Totals	\$ 658,950	\$ 564,987

### Economic Development

Expenditures	FY 2014/2015 Budgeted	FY 2015/2016 Budgeted
Total Personnel	\$ 138,976	\$ 126,776
Total O&M	\$ 243,000	\$ 709,201
Totals	\$ 381,976	\$ 835,977



### CAC Recommendations- Economic Development and Tourism

- Increase funding to the two functions combined, suggested \$250,000 - \$300,000 -- Tourism portion of PAO budget level funded; ED cut by \$90,000.
- Recommendations for Possible Budget Increase**
1. Reinstate Frozen ED Analyst position \$90,000
  2. Implement Facade Grant Program for West End \$50,000
  3. Branding Implementation \$45,000
  4. Cyber Security Market Study \$20,000
  5. Spanish Language Tourism Website \$10,000
  6. Retiree Marketing Program \$15,000
  7. Pacific NW Ecotourism Marketing Program \$15,000
  8. Establish Attraction Fund for Closing Incentive \$30,000
  9. Reinstate City Page \$20,000
  10. Print Council Strategic Plan \$2,500



### Police Department Budget Highlights

- Department not assigned any Council strategic initiatives.
- Base budget reflects less than status quo with two police officer and one animal control officer positions left vacant.
  - Impacts minimum staffing goal of six officers per shift, so leaving positions vacant in specialty proactive areas.
  - Officers picking up slack on ACO calls.
- Training cut \$15,000, planning for offset of RICO funds. Reduces planned RICO funds available for planned uses such as purchasing body cams.
- Calls for service slightly reduced, but calls that require multiple officers going up noticeably.
- Active efforts of officers showing more seized assets for public safety use, but City should not grow reliant on these funds.
- National trends point to the need for more community interaction of police personnel.
- Have institutionalized accreditation within the department, and personnel continues to monitor new requirements and prepare for 2017 evaluation.



### Police

Expenditures	FY 2014/2015 Budgeted	FY 2015/2016 Budgeted
Administration	\$ 1,762,854	\$ 2,037,958
Police Operations	6,561,316	7,253,620
Animal Control	332,658	309,684
<b>Total Personnel</b>	<b>\$ 8,656,828</b>	<b>\$ 9,601,262</b>
Administration	\$ 133,929	\$ 109,587
Police Operations	639,025	368,838
Animal Control	314,440	318,561
<b>Total O&amp;M</b>	<b>\$ 1,087,394</b>	<b>\$ 796,986</b>
Administration	\$ 601,236	\$ -
Police Operations	1,800,000	2,209,139
Animal Control	-	-
<b>Total Capital</b>	<b>\$ 2,401,236</b>	<b>\$ 2,209,139</b>
<b>Totals</b>	<b>\$ 12,145,458</b>	<b>\$ 12,607,387</b>



### CAC Recommendations -- Police Department

- Fund vehicle rotation plan for police vehicles -- Funded, \$500,000
- Increase the number of police officers -- Not funded, positions decreased
- Increase adoption fees for dogs to \$75 -- included
- Increase records fees for public -- included

### Recommendations for Potential Budget Increases

1. Restore the two frozen police officer positions \$175,000
2. Add two additional police officer positions \$250,000
3. Restore police training \$15,000
4. Phase I of body cam implementation \$92,000



## PUBLIC WORKS

City of



Sierra Vista  
AZ



### City Council Strategic Initiatives Assigned to Public Works

- Coordinate the development and support of water conservation programs and efforts with the Upper San Pedro Partnership members and other water partners.
- Create an asset inventory and needs assessment for all City facilities to guide future investments.



### Public Works Budget Highlights

- Street maintenance level funded with estimated backlog of nearly \$13 Million.
- New route added in Refuse with new truck and position.
- Reconstruction of Taxiways G and J included (\$90,875 city match)
- Phase II of Fry/7th Signal improvement project included
- \$250,000 for Cove improvements
- Coronado widening from Busby to Golf Links funded by development fees
- Engineering professional services cut \$25,000
- Facility and infrastructure maintenance cut \$35,000. Remaining funds less than bare bones. Continued deferred maintenance for city facilities.
- No grant match funds for Transit bus replacements. (\$78,400)
- Parks and grounds maintenance not able to keep up with demands.
- Only vehicle rotation funds included are for PD at \$500,000. Older vehicles require more maintenance to keep them on the road.
- Fleet preparing to implement integrated inventory management system for parts; expect some cost savings as well as efficiencies in coming year.



### Public Works

	FY 2014/2015 Budgeted	FY 2015/2016 Budgeted
<b>Expenditures</b>		
Administration Division	\$ 835,977	\$ 1,196,068
Engineering Division	2,143,636	2,394,541
Municipal Services Division	3,523,456	3,649,536
<b>Total Personnel</b>	<b>\$ 6,503,069</b>	<b>\$ 7,234,145</b>
Administration Division	\$ 1,123,550	\$ 1,160,696
Engineering Division	3,146,935	3,624,805
Municipal Services Division	6,513,873	6,847,315
<b>Total O&amp;M</b>	<b>\$ 10,784,358</b>	<b>\$ 11,632,816</b>
Administration Division	\$ 2,350,000	\$ 2,148,000
Engineering Division	9,859,332	4,044,000
Municipal Services Division	4,100,500	3,326,460
<b>Total Capital</b>	<b>\$ 16,309,832</b>	<b>\$ 9,518,460</b>
<b>Totals</b>	<b>\$ 33,597,259</b>	<b>\$ 28,385,421</b>



### CAC Recommendations- Public Works

- Increase street maintenance funding by \$600,000 - \$1,000,000. -not included.
- Fund vehicle rotation program between \$900,000 - \$1,000,000. -partially included for police vehicles only (\$500,000).
- Increase high demand customer service positions. -not included.

### Recommendations for Potential Budget Increase

1. Fund deferred building maintenance \$687,000
2. Add part-time maintenance worker \$15,000
3. Add non-police vehicle replacement program \$558,000
4. Resurface 6 courts at Kings Court \$75,000





### City Manager's Office, Administrative Services, and Non-Departmental Expenses



### Council Strategic Initiatives Assigned to City Manager and Administrative Services

- Expand lobbying efforts in support of retention and expansion on Ft. Huachuca and strengthen and create new partnerships to more effectively demonstrate the Fort's value.
- Implement the Classification and Compensation Plan for City employees.



### Budget Highlights

- Classification and Compensation implementation included.
- Legal Services professional services budget adjusted to delete Redflex payment.
- City Clerk electronic document conversion cut.
- Employee recruitment advertising and candidate travel cut \$10,000 combined.
- Employee recognition program cut \$10,000.
- Miscellaneous travel and supplies cut.
- Additional account clerk position added in Finance, to be funded 100% by the Sewer and Sanitation Enterprise Funds to meet new state laws.



### Budget Highlights Continued

- Community survey included in City Manager budget to help establish baseline for performance measurement and resource prioritization.
- Procurement pursuing "smart" purchasing solutions to save time and money.
- Customer Service at front desk given some relief through implementation of automated phone system, but challenging to maintain service levels during busy times.
- Human Resources has seen significant increases in applicant pools, impacting workload with less staff.
- No new technology in IT; maintenance of existing systems. Behind schedule in computer replacements and PC software upgrades.



City Council			Administrative Services		
Expenditures	FY 2014/2015 Budgeted	FY 2015/2016 Budgeted	Expenditures	FY 2014/2015 Budgeted	FY 2015/2016 Budgeted
Total Personnel	\$ 67,235	\$ 67,115	Human Resources	\$ 358,015	\$ 423,847
Total O&M	\$ 99,050	\$ 109,895	Procurement	271,878	237,294
Totals	\$ 166,285	\$ 177,050	Information Technology	692,261	706,584
			City Clerk	284,138	325,998
			Total Personnel	\$ 1,606,292	\$ 1,691,723
			Human Resources	\$ 63,220	\$ 60,025
			Procurement	12,100	9,150
			Information Technology	1,338,342	1,297,409
			City Clerk	163,800	60,085
			Total O&M	\$ 1,577,462	\$ 1,426,669
			Information Technology	48,510	32,400
			Total Capital	\$ 48,510	\$ 32,400
			Totals	\$ 3,232,264	\$ 3,150,792

City Manager's Office		
Expenditures	FY 2014/2015 Budgeted	FY 2015/2016 Budgeted
Total Personnel	\$ 581,791	\$ 556,389
Total O&M	\$ 290,000	\$ 308,000
Totals	\$ 871,791	\$ 864,389



Finance			General Government		
Expenditures	FY 2014/2015 Budgeted	FY 2015/2016 Budgeted	Expenditures	FY 2014/2015 Budgeted	FY 2015/2016 Budgeted
Total Personnel	\$ 626,624	\$ 656,469	Total Personnel	\$ 964,410	\$ 909,259
Total O&M	\$ 73,100	\$ 170,103	Total O&M	\$ 4,095,000	\$ 4,865,500
Totals	\$ 699,724	\$ 806,572	Totals	\$ 5,059,410	\$ 5,774,759

Court & Legal		
Expenditures	FY 2014/2015 Budgeted	FY 2015/2016 Budgeted
Total Personnel	\$ 220,887	\$ 169,823
Total O&M	\$ 125,500	\$ 100,300
Totals	\$ 346,387	\$ 270,123



**CAC Recommendations- Administrative Services**

- Implement the Classification and Compensation Plan -included.
- Consider increases in Administrative positions -account clerk added to Finance.

**Recommendations for Potential Budget Increase**

1. Add Management Analyst to Human Resources	\$67,559
2. Convert Historical Documents to Electronic (City Clerk)	\$25,000
3. Restore some employee advertising funds	\$2,500
4. Restore cut employee recognition funds	\$10,000



**Additional Carryover Projects**  
(revenue and expenditure will carryover- no net impact to budget)

**Public Works**

- Ground water modeling \$20,000
- Pumper replacement with utility truck \$105,000
- Front loader replacement \$310,000



## Proposed Budget Add-ins, Based on Council Consensus

<b>Community Development</b>	
• Additional Neighborhood Officer	\$55,000
• Community Events	\$600
<b>Leisure and Library</b>	
• Sports Supervisor	\$58,000
<b>Public Affairs and Tourism</b>	
• ED analyst	\$90,000
• Fund Branding implementation	\$45,000
<b>Police Department</b>	
• Two frozen officers restored	\$175,000
<b>Public Works</b>	
• Facilities maintenance	\$687,000
<b>Administration</b>	
• HR Analyst (still up for discussion)	\$67,559

**Total Adds: \$1,110,600\***

\*\$1,178,159 if HR Analyst is added



## CAC Revenue Recommendations

- Increase the Retail Sales Tax with a Tiered Rate for Purchases >\$5,000**
  - .2%-.5% increase to base retail/use tax rate.
  - 1% - 1.75% tier rate, depending on revenue generated and final rate.
  - Brings an additional \$1,070,000 - \$2,685,000.
  - Each .1% rate increase without a tiered structure brings an estimated \$578,515
- Increase Bar/Restaurant Tax**
  - 3%- 4% rate increase
  - Brings an additional \$221,000-\$300,000
  - Every .1% rate increase brings an estimated \$68,000
- Increase various user fees- included in Proposed Budget**
  - Fees might include ambulance fees, Animal Control adoption fees, library fines, etc.
  - The CAC recommends a minimum of \$100,000 in additional revenues through carefully selected fee adjustments.



## Revenue Option #1

### Retail Transaction Privilege Tax (sales tax) increase to cover the cost of add-ins.

**Total Adds: \$1,110,600**

**New Retail TPT Rate: 1.95%**

- .2% increase from current rate of 1.75%
- Only impacts retail purchases; does not affect expenditures at bars, restaurants, hotels, utility companies, construction, etc.
- Sierra Vista would maintain the second lowest sales tax rate in Cochise county, and still be .05% lower than Tucson.
- All other tax rates would remain the same.

**City Sales tax revenue would increase by roughly \$1,157,030**



## Revenue Option #2

### Retail Transaction Privilege Tax (sales tax) and Restaurant/Bar Tax increases to cover the cost of add-ins.

**Total Adds: \$1,110,600**

**New Retail TPT Rate: 1.90%**

- .15% increase from current rate of 1.75%
- Sierra Vista would maintain the second lowest sales tax rate in Cochise County and Arizona, and still be .10% lower than Tucson
- Revenue increase of \$867,772

**New Restaurant/Bar Rate: 3.0%**

- .4% increase from current rate of 2.6%
- Revenue increase of \$272,000

**Tax revenue would increase by roughly \$1,139,772**



## Revenue Option #3

**Retail Transaction Privilege Tax (sales tax), Restaurant/Bar Tax, and Property Tax increases to cover the cost of add-ins.**

Total Adds: \$1,110,600

**New Retail TPT Rate: 1.90%**

- .15% increase from current rate of 1.75%
- SV would maintain the 2nd lowest rate and be .10% under Tucson
- Revenue increase of \$867,772

**New Restaurant/Bar Rate: 2.8%**

- .2% increase from current rate of 2.6%
- Revenue increase of \$136,000

**New Property Tax Rate: \$1,608 per \$100 of assessed value**

- Increase of \$.0472 from current rate of \$.1136
- For a \$200,000 home, the city property tax bill would increase by \$9.44/year
- Revenue increase to the City of \$151,000

**Tax revenue would increase by roughly \$1,154,772**



## Revenue Option #4

**Retail Transaction Privilege Tax (sales tax), Restaurant/Bar Tax, and Comm/Utility Tax increases to cover cost of add-ins.**

Total Adds: \$1,110,600

**New Retail TPT Rate: 1.85%**

- .1% increase from current rate of 1.75%
- SV would maintain the 2nd lowest rate and be .15% under Tucson
- Revenue increase of \$578,515

**New Restaurant/Bar Rate: 2.8%**

- .2% increase from current rate of 2.6%
- Revenue increase of \$136,000

**New Communications & Utilities Tax Rate: 4.0%**

- Increase of 2% from current rate of 2%
- Would not have a net impact on SSVCC bills (Franchise fee absorbed)
- Revenue increase of \$478,613

**Tax revenue would increase by roughly \$1,193,128**



## Tiered Retail TPT

**Scenario 1: Base retail rate of 1.95%, 1.45% on any amount above \$5,000 on a single purchase.**

- Total revenue: \$790,030; roughly \$367,000 less than a flat rate of 1.95%

**Scenario 2: Base retail rate of 2.05%, 1.55% on any amount above \$5,000 on a single purchase.**

- Total revenue: \$1,368,545; roughly \$367,000 less than a flat rate of 1.95%

**\*\*Projections conservatively assume no significant increase in the sale of luxury goods in the first year of implementation. Projections are based on information voluntarily provided to the City by a single local car dealership. actual reductions to overall revenue will likely be greater when all sales across Sierra Vista are taken into account.**

Additional scenario calculations are available on demand during today's meeting.



## Next Steps

- Council consensus on budget additions or reductions
- Total the cost of additions/reductions
- Evaluation of options to re-balance budget
- Council consensus on final direction

➤ Following the budget work sessions, staff will compile a memorandum to Council documenting all changes from the proposed budget book, and develop the necessary documents for final approval of the Tentative Budget on July 2, 2015.



