Sierra Vista City Council
Work Session Minutes
June 8, 2016

1. Call to order – 4:30 p.m. in the City Hall, Council Chambers, 1011 N. Coronado Drive, Sierra Vista, Arizona.

Roll Call

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
Adam Thrasher, Police Chief
Ron York, Fire Chief
Sharon Flissar, Public Works Director
Victoria Yarbrough, Library and Leisure Services Director
Mat McLachlan, Community Development Director
Jill Adams, City Clerk
David Felix, Finance Manager
Linda Jones, Budget Officer
Simone McFarland, Economic Development Manager
Laura Wilson, Procurement Manager
Abe Rubio, IT Manager
Lee Elaban, Leisure Services Manager

2. Discussion regarding FY 2016-2017 Budget

Mayor Mueller stated that there were questions made yesterday to which staff has provided information. First slide is on employee health care. If everything is kept the same, the additional cost increase for employee+spouse, employee+child, and employee+family would be $220,000. Mr. Potucek stated the second slide is the breakdown of the nonexempt employees, fire and police employees, and the exempt employees in terms of who is using the various parts of the health insurance and which components.

Council Member Calhoun inquired if you add up all the numbers if that represents all the employees using the City's system. Council Member Gray stated if you total the four numbers on the first slide it shows the number of how many employees are using it. Mr. Potucek stated the first slide is a summary of all employees. Council Member Mount asks if there is a breakdown for the total number of employees. Council Member Gray added up the numbers and came to 307 people. Mr. Potucek advised that number includes spouse and children.

Council Member Gray questioned the second sheet that states 10 employees, 9 employees, if those numbers are added would it give the actual employees without their families.

Ms. Jacobs explained the second sheet provides the number of employees who are paying for dependent care coverage in some way. Council Member Gray stated on the first line and says grades 200-203 salary range, employee+spouse is 10 employees, that is just 10 employees. If those numbers are added, then it would provide just the number of employees. Ms. Jacobs clarified how to identify the number of employees.

Council Member Gray noted that there are 307 employees enrolled in the plan. Ms. Jacobs agreed.

Council Member Mount inquired if there is a way to calculate and subsidize a part of it to take care of those whose wages are going to be hit harder. Mr. Potucek noted that the City is subsidizing 67 percent of the employee+spouse rate, 73 percent of employee+children rate, and 68 percent of the rate for employee+family.

Council Member Mount asked if the increase to the plan can be offset. Council Member Calhoun noted that this will not tell what other income families may have. The fact that an employee is making less is not a fair way to offset to those who need more of a subsidy.

Council Member Mount stated that the only reason why he supports the pay raise is because it puts money back into the economy; but a health insurance rate increase will not put money back into the economy - it will go into the pockets of an insurance company.

Council Member Gray asked for the percentage of employees who will see a reduction in take home pay. Ms. Jacobs stated that she did not have the calculation to find the break point. Mr. Potucek stated that if that case does exist, it would be at the lower pay scales where that situation could occur. He added that he would have to run calculations on individual employees in those pay ranges to see if there is an actual loss.

Council Member Gray asked if there will be a majority or minority of employees that will see a decrease of take home pay. Mr. Potucek stated that he doesn't know and he will have new numbers by the following meeting. He will have a break down by group as far as rate goes. The policy concern is what is the rate of subsidy the Council would like to see on these other classes of employees. The only policy at this time is that 100 percent of the actual employee's cost is covered. There is not a policy related to the other areas. There is more of a subsidy that went to employee+family because they felt that they are the ones that needed it more than other employees. They have been attempting over the past few years is equalize the rate of subsidy. If they kept going down the road proposed right now, it would be 61 percent subsidy for employee+spouse, 69 percent for employee+children, and 58 percent for employee+family. It cannot be equalized in one year due to restrictions discussed previously. The City is trying to move in that direction so that over time, it will eventually go to a 50 percent subsidy; but most organizations have a zero subsidy.

Council Member Gray added that the City has not been able to give employees pay raises but kept the City's subsidy in health insurance higher to try to help and it is fair to acknowledge that. Mr. Potucek stated the he can run numbers on whether a pay decrease situation exists and by groups run some numbers requested by Council Member Mount by the following meeting. The other important thing for the Council to remember when discussing this is we're talking about a cost that only goes up and it is not stable or going down. It is a matter of what Council wants the tax payer to pay versus the employee.

Council Member Ash pointed out what Mr. Potucek had stated and added that this is a policy question. Health insurance is a product, a necessary product. She asked if Council wants to

say that because of what an employee gets paid, Council will subsidize for those employees purchasing a product. She believes the pay raises are important. However, in regards to subsidy on health insurance, she is not ready to go down that road. She believes that policy discussion is where the focus should be.

Council Member Gray added that an employee can choose not to cover their family under this plan and go out to the market if they find something more affordable. Mr. Potucek noted that it is hard to look at the numbers and say that it is a straight correlation because employee's spouses may have other insurance. There is a smaller subset of the employee base that is using these other products for advanced coverage than just the employees themselves.

Council Member Gray noted that she has insurance through her husband as it was more affordable than to go out to the market. Mr. Potucek noted that spousal coverage costs more than child coverage as children do not have many issues.

Council Member Mount stated that he appreciates going forward with this discussion and is aware of variable costs going up due to subsidy. The Council may have to look at this as an integrated holistic issue and it's more than the cost of insurance but it's the cost of employment. If the City loses younger people that are coming into the system and being groomed, that is a problem. But when the pay grades were changed and it was escalated up, it ends up in the higher end of the range during recruitment. He is looking at a more long term strategic approach. Can the City preserve and retain their high performers at the lower levels and groom them into leadership positions and save the money later down the road in recruitment. It is not about the initial cost.

Council Member Ash stated that another option would be not to add the rising cost of health care into the pay raises. Council Member Mount concurred.

Council Member Calhoun stated that Council Member Mount has brought up something that is important regarding tourism and economic development. She stated that she feels that the Council did not provide input or consensus if they wanted to move forward with that suggestion or this conversation in a work session. It is appropriate at this time for the Council to agree to have the conversation about policy and health insurance coverage. The other issue is about what Council Member Mount brought up regarding the budget issues related to strategic planning. She also added that she wondered if there was a consensus; but it was not identified and that is needed in order to bring decisions.

Mayor Mueller stated that Council Member Mount made a great point with regard to having standards. Council should be briefed on a quarterly basis by economic development.

Mayor Mueller asked if any Council Member would have a problem if Ms. McFarland and Ms. Hector were to come up with standards and metrics on how to look at tourism and how to incorporate into economic development.

In reference to long term policy for health care, Mayor Mueller stated that the City is pushing it very tight for this budget year and recommends that this be looked at after the budget so that the City Manager may look at subsidized numbers going towards 50 percent. Council Members need to give him guidance and a work session on whether the percentage is good or the lower grades need to have more of a subsidy than the upper grades. There also needs to be a longer term plan to discuss that.

Council Member Calhoun and Council Member Mount concurred. Council Member Mount thinks that tying tourism as a process to drive the economy needs to be addressed immediately and could be done quickly. He also pointed out that with the insurance part, the cost will continue to go up and Council has already set up in motion the pay increases. This needs to be addressed now or the City will run into this problem every year. It is not solvable right now but the discussion needs to take place.

Mr. Potucek stated that Council Member Mount makes a good point about sustainability of the raises and increased cost of health care and how to subsidize in the future; but if revenue does not improve it could be unsustainable as early as next year.

Mayor Mueller asked again if any Council Member has an objection with Ms. McFarland and Ms. Hector working on standards regarding tourism. He also asked if any Council Member has an objection to sit down to discuss health care insurance issues and provide guidance to the City Manager. No objections by Council Members.

Council Member Calhoun requests that when a Council Member makes a suggestion that Council should stop and say if it is something that should be followed up.

Mr. Potucek stated that staff will prioritize Council strategic plan items within the budget. This particular book does not have notations on that. But the final document will be prepared. The last Strategic Plan did not have many cost related items in it and it impacted staff work; but not necessarily the budget.

Mayor Mueller stated that the facilities requests done in 2015 appears to show that the City Manager did what he was asked for during the budget; but the library carpet was not on the list and it appears that they are ok with that.

Council Member Calhoun stated that it looks good and costs were bundled, a very smart way in looking for ways to lump costs together and decrease costs. Mr. Potucek stated that a budget is a plan and he has always tried to follow Council's direction; but he cannot always get to everything. He does look for opportunity and when there is budget flexibility. Some of the items that weren't on the list that were accomplished will not be on the next list. But there will always be a list of projects every year and every year not all will be done.

Council Member Mount talked about the inquiry sent up from June 22, 2015 and the list of items requested by Public Works/Facilities maintenance bundled to the $686,500. That had to be cut back due to implementation. Council received a sub list of those components and there is still a list of things on there. For example, it says Cove pool decking, is that done. Mr. Potucek stated not yet. Council Member Mount stated it wasn't funded last year but is on the list for this year. Mr. Potucek stated if they had an opportunity do it last year they would've.

Council Member Gray asked if those things on the list are going to be done this year. Mr. Potucek stated that it is not on the list for this year. Council Member Mount stated it says other projects identified but not funded. When it was said that these items needed to be done, the Council discussed how to bundle the money, which triggered the tax increase. If that was the case, that was what the tax increase was for because the pay increases were in the budget. Does the Council want to go back to review those capital improvements things and find something that is a different priority or priorities set forward by staff.

Council Member Gray asked for an explanation on what is Council's role when it comes to capital improvements. Mr. Potucek stated that the City has a 10-year improvement plan for

impact fees, a larger overarching list and a 5-year capital improvement plan that is tasked to the CAC that has to be done this year. They develop a list of priorities and Council approves the list and then staff tries to work on the list as best as they can. Some projects that are lower in priority level may get done because staff finds grants or a partnership and they take it off the list and reprioritize. Some are large projects that may require bond issues and will not get done unless Council chooses to do a bond to pay for it. There is then work on normal capital improvement projects that may have to do with the Airport or streets or MPO related and a lot of new capital budget is really outside funding that is coming in more so than the City's own capital improvement fund. We are using capital improvement funds for some of the City's projects, it had to be shifted to streets which used to be funded out of HURF or other activities. A lot capital maintenance funds that were on that list had to moved into the capital improvement fund for funding that would normally be funded by general fund or HURF in years past. Because the general fund is so tight they are no longer able to do that. So there are the large plans, then the actual projects that come into the budget, and then the maintenance items, which are capital items due to the fact they extend the life of the asset or facility. But, more maintenance items are coming to the Council on an annual basis and for that they have a capital maintenance plan that Public Works puts together that will also be included in the final document.

Council Member Gray reiterated what Mr. Potucek stated. Mr. Potucek stated that he sees what opportunity there is and there are a lot of different things; but he knows that they are all a priority and once Council approves the budget then staff implements those particular projects.

Mr. Potucek stated that it is important to let Council know about the maintenance items because of the cost; but he relies on his expert staff to tell him which things need to go first or otherwise.

Council Member Mount stated that a year ago, after the Citizens Advisory Commission's recommendations, Public Works showed up and stated that they needed above and beyond. People were emphatic that those things get done for last year; but the City could not get the money in time and the projects are still out there. He asked if it is Council's decision to change priorities.

Mayor Mueller stated that every year has to be judged on what is on the list and it is dependent on the severity. It is a variable list and Council should review the list and make a decision on an annual basis based on projects recommended by the City Manager and staff experts.

Council Member Huisking noted that emergencies have come up and if the money was approved for certain maintenance projects and something else takes place, and then it needs to get done. She questioned how the list is prioritized; by what is going to fall apart and how does something rise to the top.

Mr. Potucek stated that public health and safety is always the number one priority and then if something is reaching its useful life or is going to fail, then those are another priority with those that save energy. But unfortunately something always has to fall off the list. During the course of the year with a tight budget, something may occur that needs to be done and staff always lets Council know. Last year was not a typical budget because of the necessity of looking at the Class Comp plan and specter of the tax increase, which has only be done a few times and been a major event by Council. This year coincides with what have been done in previous years.

Council Member Calhoun commented that when it appeared that it was a Council priority and staff continues to report to Council and suggested that the executive report would be a good way to update Council. She then noted that through the years of difficulty, there have been no budget shortfalls, no decreases in pay or furloughs and thanked Mr. Potucek's foresight for carrying on because it has been a tough time since 2010.

Mr. Potucek stated that Council sets the policy that staff follows. The policy includes conservative budgeting and minimal use of debt. Staff is following all of those policies, he will make recommendations; but ultimately the Council can prioritize and provide guidance. Last year was the first year that Council got involved in prioritizing maintenance projects and staff's goal was to follow Council's wishes and the report indicates that.

Council Member Gray stated that several capital projects that were approved are coming from the General Fund and asked if the departments talk about that. Mr. Potucek stated that every year during the process and the General Fund always has the friction, staff tries to establish priorities for the budget to present to Council. Those were set around the Strategic Plan and Class Comp. The departments were asked for their requests and Mr. Potucek meets with department heads and the budget staff to go over their requests and reach an agreement to see what should move forward or live without for the coming year.

Council Member Mount stated that he appreciates the discussion and reiterated what occurred last year was an anomaly and noted this is about true accountability. Last year an employee stated he could not do his job without the money, and Council gave him money for certain projects and these projects are not being done that a year from now when they show back up and the City cannot afford it. The City has the opportunity to do it now and asked Council Member if they wanted to reprioritize or let it go.

Mayor Mueller stated on reprioritization he is not hearing anyone other than Council Member Mount suggest the Council go down that road.

In response to Mayor Mueller, Council Member Mount noted that he wanted to make sure that those people that had them prioritized last year and have the opportunity to do it this year. Mayor Mueller stated that there was no one.

Mr. Potucek begins his briefing and stated that Operations and Maintenance budget is the second largest component of the City's budget comprising of 21 percent and provided the following highlights:

- Achieved savings in vehicle parts with the NAPA Contract. The projected savings of approximately $250,000 in implementing that contract last year for vehicle parts. Mr. Potucek stated that this helps in the budget and thanked Ms. Wilson and Ms. Flissar for helping work it through smoothly.

- The project that Council implemented to upgrade the EOP a few years back is $8 million. There was very significant electricity cost to run the sewer plant prior to that, now seeing significant savings in electricity that was projected. The City is paying for the debt service on the upgrade to the sewer plant from these operational savings now which is good for the Council and tax payers due to keeping rates down and keeping it steady.

- Seeing electricity saving around the City facilities and the City has awards for those buildings saving electricity on a quarterly basis. Staff sees that translating into actual budget savings in terms of electricity costs.

- There is lower gasoline prices estimated at $200,000 savings in fuel costs that other entities benefit from as well. Staff will continue to pursue cooperative agreements to find ways to save money.

- Cutting back in the Operations & Maintenance Budget

Mr. Potucek stated that he had to make significant cuts to many city departments in order to balance next year's proposed budget, amounting to an operations and maintenance budget that is a little more than $300,000 smaller than the current fiscal year's.

Public Works makes up almost 50 percent of the O&M budget due to maintenance responsibilities that they have. Surprisingly, Police and Fire are not really intensive in terms of O&M. The expenditure cuts in each department's O&M budget to reach that figure. The most occurred in the IT area and then significant cut back in the Clerk's office; primarily due to the elections, and Public Affairs office, Police and Fire areas.

A chart with recommended expenditure cuts by department was presented.

Council Member Ash questioned how is the City saving money in the IT department so that it's not a detriment if we are trying to become more efficient and effective with our use of technology. Mr. Potucek explained that the savings are mostly due to an extensive review of software and hardware maintenance contracts. He added that he had to see where he could cut them back or where there might be duplication between IT and departmental budgets.

Council Member Huisking asked the same thing concerning Public Affairs and its decrease by $55,000. Mr. Potucek stated there is advertisement, grants and some other things that he did not want to cut; but he had to in order to balance the budget. Every department had to contribute to this effort in order to get to where the City needed to be. There were also cut backs in Police, Fire and Economic Development who would like to see that money restored.

Council Member Gray stated that economic development and public affairs are the two focuses this Council has focused on and instead of increasing and expanding those we seem to be decreasing those. Mayor Mueller commented that there is only so much money. Council Member Gray expressed how can the City focus on and prioritize them when spending is being decreased and noted that it is not going to help the City with tourism and economic development.

Mr. Potucek agreed that it will not help with economic development and tourism and stated there are only so many dollars available. There are discussions concerning making up for employee health care benefits and adding projects to the project list. Without these cuts, the City wouldn't have a balanced budget and staff had to find money wherever they could. If the Council wishes to add various things via the projects or items like this, he has nowhere else to take the money from but to cuts some of the projects that were on the project list.

Council Member Gray wants an explanation of the $16,000 for economic development that is decreased and the $55,400 from public affairs. With the cuts, what will those departments not be able to do.

In response to Council Member Gray, Mr. Potucek stated that there were one-time projects in that area and those have gone away. There are other projects that both managers presented to add in that would've made up for the one time project; but it does not hurt the core operation.

Council Member Gray asked if Council will still see movement in Tourism and economic development with that budget. Mr. Potucek stated that it should not hinder; but they could do more.

Council Member Mount asked if restructuring tourism efforts under economic development instead of public affairs could reduce costs. Mr. Potucek stated that restructuring departments are part of considerations made during the budget process when appropriate; but without cutting personnel, he does not know how the savings are achieved.

Council Member Mount stated what if he is suggesting cutting personnel. Mr. Potucek stated that he is not recommending it. Council Member Mount stated that the reality of the situation is that the City is increasing the personnel budget at the cost of the O&M and it is going to start to get into the tools that the City needs to increase economic development and other projects. From a larger stand point, maybe this is a discussion for Council as a policy is when do we start to consider it if the revenue doesn't stream in.

Mr. Potucek stated for position and organizational change cuts that he takes the opportunity to look at restructuring through attrition. He has never had any reason to lay anybody off as he thinks that it sends a very bad message to the rest of the organization when the City starts going down that road. Personally, Mr. Potucek would lay himself off before he had to do something like that. But if the Council directs him to lay people off, then that's what he will do. However, he has not had that practice in the over 20 years that he has been city manager.

No other Council Members voiced their support for laying off employees in order to reduce personnel spending.

Council Member Calhoun suggested considering reassignments. Mayor Mueller noted that one of the challenges if speaking of consolidation of two areas and the only savings is personnel cost, that it would be hard to make a difference.

Council Member Calhoun asked to see the list of projects that have been given up in order for cuts to be made. Mr. Potucek stated that he has it in the presentation; but there is no item by item detail. However, he would be happy to forward it to Council.

The next slide Mr. Potucek shows is a continuation of the decreases. There is a fairly substantial decrease in the aquatics area. A lot of that was due to a part time personnel problem that was caught.

Other significant cuts include:

- $34,000 reduction for animal control;
- $50,000 in cuts to police administration and operations;
- $56,000 in cuts to engineering in the Public Works Department;
- $31,000 cut from Sierra Vista Fire and Medical Services; and
- More than $13,000 cut from the City Council.

Mr. Potucek stated that every department had to contribute to this effort in order to get where we needed to be. In all, $1,022,941 in cuts to various city departments was included in the proposed budget.

- CDBG projects

Mr. Potucek stated that the following are the proposed CDBG projects and programmed in at $218,415:

- 19 Streetlights in Fry & Sulger;
- New Roof for Samaritan Station for the Good Neighbor Alliance; and
- Habitat for Humanity (emergency/critical home repairs).

- Debt

The City finances certain capital projects, depending on a variety of factors, e.g., type of project, project cost and expected life. The financing term matches the expected life of the equipment and there are only two types of debt:

- Bonds (long term)
- Lease purchase (short term)

For the fire truck, refuse truck and other vehicles, he is envisioning financing and he is trying to keep it at a minimum. The good story is that there is a decline. They do finance capital projects and equipment based on the cost and expected life and as mentioned yesterday they try to match the expected life closely to the financing term. And try to keep the financing term under the expected life.

Mr. Potucek stated revenue bonds have not been issued since 2008. Staff sometimes does larger items for lease purchase such as land acquisition across from Domingo Piaz complex and sewer ponds.

Council Member Calhoun asked when do we expect to pay off the long term bonds.

In response to Council Member Calhoun, Mr. Potucek stated that the first bond will be paid off in 2021 and the second bond in 2023. He estimates over a million dollars per year in cash will be freed up. Mayor Mueller asked if it is per bond. Mr. Potucek stated that it is half a million each and it will be strategic for the City. He sees probably another census hit on state share revenue from 2020 census and that will help to cushion the blow from that. That was done on purpose when Council issued those bonds.

Council Member Calhoun stated that Council needs to talk about opportunities they have to increase revenue streams and what limitations by the State and Feds. There also needs to be discussion concerning viability in any of the ideas and suggestions. She also added that the appearance is that less money is coming in so the City has to spend less; but how can the City continue to keep quality of life for citizens and infrastructure. Mayor Mueller stated that this discussion is ideal during the strategic planning. There needs to be a long term discussion concerning finances and funds available. All the efforts have been done through economic development to promote growth so that the City does not fall behind; but the City has to grow faster than the average city so that there are no revenue decreases. The question is how do we do that.

Council Member Calhoun suggested having this conversation throughout the year as Council does not have enough time to go through all details during the strategic planning. She also suggested holding some work sessions.

Council Member Mount voiced his appreciation at the projects in strategic planning and pointed out that if Council does not figure things out, the City may not be sustainable next year. There are ten straight years of decreases in capital expenditures; those are the new investments that help keep O&M costs down. Operations and maintenance are going up as well as personnel. There needs to be moves this year in order to get this going.

Council Member Mount stated that he has another idea that will require resources and wants Council to consider for this budget. It is a plan to help small businesses get set up in this City; even if it's just one or two, it is better than 1 business retained and 6 FTE's. If staff can find $50,000 to help somebody cover the cost of a building being brought up to code; and the moment is now, as he wants to create jobs.

Council Member Ash asked if this adds $50,000 to Economic Development's budget for small business as there is an OEA grant for this. Council Member Mount stated that right now all the money is set up for a closing fund for a big business, but it will help if we can get one or two small businesses. He added that the City does not have an OEA grant.

Council Member Ash stated that she knows that. Ms. McFarland explained that it is for acceleration for existing business to grow quicker. Council Member Ash asked if there is money allocated for that. Ms. McFarland stated that she hopes that by applying for it this year it should go in at the end of June and there is a match set aside in the Economic Development budget to make that happen. She added that if it comes through, there will be money.

In response to Council Member Huisking, Ms. McFarland stated that the match would be $25,000 and she is hoping for $250,000 for one year.

Council Member Gray stated that is why she keeps harping on economic development and tourism and it is like what Council Member Mount said. The Council knows that revenue is going to keep decreasing and she is not willing to keep taxing citizens. Revenue comes in by bringing in companies and tourism and bringing outside spending money to the City. There are some private businesses coming in to do what Council Member Mount wants to do and they are on their way here.

Mr. Potucek stated that it is a two prong strategy with Ms. McFarland working on attraction and retention and Ms. Hector working on tourism. The second prong is in preserving what the City has and that costs money too. There is a significant amount of money in the budget for lobbying support of Fort Huachuca and its missions, looking at retaining and expanding potentional missions on the Fort and various things on water, and the future development of the community.

Council Member Calhoun stated the decision to raise taxes last year had a lot to do in addition to those projects discussed and infrastructure. It is important to maintain our streets and facilities so when there is an influx of new citizens they have appropriate facilities. The three prongs are all working together. Mr. Potucek stated that Council has supported that approach. Council Member Gray stated that she wants to hear Council Member Mount's proposal.

Mr. Potucek provided Debt Service by fund and stated that it is the amount of debt being paid off within the current year budget. Debt service has remained stable and there is no change in

terms of the amount, which means that the City is paying things off. Once the bonds are paid off, the overall debt picture will improve.

Council Member Gray asked about the increase in debt service. Mr. Potucek stated that the increase is a fire truck payment.

Mr. Potucek stated that the outstanding debt shows:

- Fire Station No. 3;
- Police Department expansion;
- Refi Ser 2000 Bonds;
- EOP Clarifier;
- Vehicles and equipment;
- Park land, vehicles and equipment;
- Refuse vehicles; and
- Sewer and refuse vehicles.

In overall debt picture, after this fiscal year it has worked down from $25 million to $22 million. At its peak it was $46 million; so it is less than half at the end of next fiscal year.

Council Member Gray stated that she is proud of the City and it is impressive. Mr. Potucek stated that it comes down to the budget process and not adding when they really can't as everyone has shown good constraint. Also, the bond rating agencies like to see that. The peak in 2008 when that bond was issued. They have repeatedly worked that number down to the $22 million range.

Mr. Potucek stated the next steps in the budget, staff will compile a memorandum with any changes or items that come up. Ms. McFarland's closing fund project will be moved into the City Manager's budget instead of the capital improvements fund. He will treat that similar to old special projects fund, the EDF, a project proposed by staff for funding from this particular fund. Staff will bring forward to Council for approval like EDF and all details will come before Council before moving forward on the deal.

Council Member Ash thinks the closing fund is necessary if the City is being competitive in attracting new business. Mr. Potucek stated that there are still a few legal issues that are being worked out with the City Attorney; as Pima County is being sued for giving money. He explained that it does not matter if it is a loan or gift; that the Arizona Constitution frowns on those things. So far the City has only engaged on infrastructure development, but there is a competing statute that states you can spend "x" amount of money on promoting and economic development for the community. Staff is weighing those two things and it would be preferable to use it on infrastructure or interest in a facility or land.

Mr. Potucek added that there are some other changes and numbers are not completely refined on healthcare and personnel cost. 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 June 23, 2016;
- Final budget vote July 21, 2016; and
- Property tax rate levy vote August 11, 2016.

Mayor Mueller pointed out that Council Member Mount has expressed interest in discussing the $50,000 fund. He asked the Council if they wished to discuss it. The Council agreed.

Council Member Mount asked about Cyr Field and what it would cost to bring it up and ready. Ms. Yarbrough stated that it is in the works. Council Member Mount asked about the parks' list. Ms. Yarbrough stated that Cyr Park was in the worst shape; but they do not have any others that are in that bad of a condition. He questioned if Cyr Field has money allocated to bring it up to full operational working condition. Ms. Yarbrough stated yes.

Council Member Mount knows there is a closing fund and it may have jeopardy going into it based on discussion that just took place. There can't be a tax credit without a cut somewhere else. The Council needs to look into how to build small businesses that can help grow the economy faster than one big business. The main topic the community talks about is bringing a building up to code.

Council Member Mount asked if the following funds could be cut to fund his proposal:

- Professional associations;
- Travel and training; and
- Donations.

Mr. Felix explained that donations are what citizens give the City to run certain programs. The fund is restricted to what programs the citizens have requested to donate to. Those are expenditures based off of gifts from the community.

Council Member Mount suggested cutting professional services and travel and training to have money to move economic development faster.

Mayor Mueller stated that he appreciates his concept to scrub the budget again; but department heads have done so already. He also stated that he does not have an issue with asking them to scrub again to come up with additional money.

Council Member Gray noted that the departments have cut it to the bone. Mr. Potucek stated that if Council directs staff to find $50,000, they will find it. Mayor Mueller stated if the Council figures out that $50,000 is a good number for a program that allows new businesses to get up to speed, then they can go to the City Manager for recommendations on the cuts necessary to raise that money.

Council Member Calhoun was curious about books and periodicals, she depends on a lot of reading to help, but that may be an area that could help. She also asked if the property owner should have some responsibility to bring the building up to code and noted that there are a lot of pieces that she does not understand that she would like to hear more about before committing money.

Council Member Mount suggested moving forward and asking department heads to go through and scrub the budget. The goal would be $50,000 to be set aside for a small business now that the City has metrics.

Council Member Huisking asked if this is a gift to the business or will they have to pay the loan back. Council Member Mount stated that he is open for considerations. Ms. Jacobs noted that it can't be a loan – it has to be a grant. Mr. Potucek stated that it is why the City has the EDF - that is for the property owner.

Council consensus was that it is worth more discussion.

Mr. Potucek reminded everyone that the following work session is scheduled at 3:00 p.m. and the notice has been posted for 3:00 p.m.

3. Adjourn

Mayor Mueller adjourned the work session at 5:57 p.m.

_____
Mayor Frederick W. Mueller

Minutes prepared by:

Attest:

_____
Jennifer Osburn, Administrative Secretary

_____
Jill Adams, City Clerk