

**THE WORKSESSION
OF THE MAYOR AND CITY COUNCIL OF BENSON, ARIZONA
HELD JANUARY 31, 2015 AT 9:00 A.M.
AT THE BENSON COMMUNITY CENTER,
705 W. UNION STREET, BENSON, ARIZONA**

CALL TO ORDER:

Mayor King called the meeting to order at 9:15 a.m. with the Pledge of Allegiance.

ROLL CALL:

Present were: Mayor Toney D. King, Sr., Vice Mayor Lori McGoffin, Councilmembers Pat Boyle (arriving at 9:17 a.m.), Jeff Cook, Joe Konrad, David Lambert. Absent was: Councilmember Peter Wangness.

Staff present were: City Manager William Stephens, Director of Golf Joe DeVecchio, Public Works Director Brad Hamilton, Finance Director Megan Moreno, Chief of Police Paul Moncada, Tourism Supervisor Bob Nilson, Recreation Coordinator Laura Parkin, Library Director Peggy Scott, Fire Chief Keith Spangler, City Magistrate Bruce Staggs and City Clerk Vicki Vivian.

City Manager William Stephens welcomed everyone to the worksession and stated there would be some guest speakers addressing the future development in Benson. Mr. Stephens then stated the Council would be holding budget meetings in the coming months, adding this meeting will assist with Council input for those upcoming budget meetings.

NEW BUSINESS:

1. **Presentation by Dennis Krahn and Michael Reinbold of El Dorado Holdings regarding the development of Whetstone Ranch**

Dennis Krahn and Michael Reinbold of El Dorado addressed the Council regarding their proposed development; the Villages at Vigneto. Mr. Reinbold told the Council that El Dorado started on this project about 18 months ago and spent a good part of that time determining what to do with the property and during that time, they learned a lot about the community. Mr. Reinbold expressed how beautiful this area is and that they are excited about the property and their project. Mr. Reinbold then spoke about looking to see what Benson was similar to in order to determine a vision and how they found Benson to be similar to the Tuscany, Italy region and that the project would be Tuscany-themed. Mr. Reinbold stated the property El Dorado purchased was 12,000 acres and was on both the east and west sides of Highway 90. He then spoke about wanting a more open-spaced community that would have both conventional and resort-type homes with a smaller scale village center that people would want to spend the day at with restaurants, entertainment and retail, noting the project would be modeled slightly after the Villages in Florida. Mr. Reinbold said they envisioned incorporating golf courses and vineyards into the property and that they want to bring in other people and businesses. He then spoke about the number of golf carts operated in Florida at the Villages, noting there are 50,000 golf carts and the development has super highways for the carts to be driven on, adding people drive carts more than they drive their cars in the community. Mr. Reinbold then stated El Dorado would like to be development ready by the end of the year and that one of the items important to them is a CFD (Community Facilities District) which is a form of a financing structure that allows new development to pay its own way. Mr. Reinbold spoke about CFDs being an important tool in their basket of development tools, the success in using CFDs in other projects and said CFDs have not been used to their full potential in Arizona compared to other states, and that to compete on a national basis, developers need to utilize all the tools that are available to use. Mr. Krahn then spoke saying bonds are issued and secured by the developer and anything that is sold in terms of bond markets and municipal bonds are the responsibility of the developer and the property owners and the City has no obligation. Mr. Reinbold agreed that the obligation lies with the developer.

Councilmember Cook asked about building codes with Mr. Reinbold saying as part of the CMP (Community Master Plan), El Dorado will address building codes. Mr. Reinbold then said the national building codes are national building codes, but the City's subdivision standards contain a lot of different things and how El Dorado approaches those will be part of the process of submitting the CMP.

Vice Mayor McGoffin asked about when El Dorado would start construction and how fast it would go with Mr. Reinbold saying they would like to construction ready at the end of the year, then it would take a year to complete master improvements, such as the infrastructure, the golf course and many other facilities and 6 months after that, home construction would start, adding that would be about mid-2017.

Mr. Stephens asked about the 20 lots in The Canyons Phase 1 and Phase 2, 3 and 4, which is part of the property El Dorado purchased. Mr. Reinbold said the lots are currently going through engineering and those may come online next summer. Mr. Reinbold then said they are also looking at what can be done to improve the development, such as landscaping. Mr. Krahn then noted The Canyons is part of the property that will be developed and will have access to the Villages at Vigneto amenities, but the development will look different than the Tuscany theme.

Councilmember Boyle asked about water features in the development with Mr. Reinbold saying lakes and other water features will be based on reused water and irrigation will be using recycled water. Mr. Krahn agreed and stated they will be looking at these and make sure the best choices are made. Mr. Stephens asked about the treatment plan with Mr. Reinbold stating the treatment plant will expand from 250,000 gallons to 5.5 million gallons and the expansion will be based on the phases of development.

Councilmember Boyle asked what type of golf course would be in the development with Mr. Reinbold stating it would be an 18-hole course in the resort area. Mr. Krahn stated the Villages in Florida have a 60,000 home buildout with 621 holes of golf, which is staggering. Mr. Krahn then stated the Villages in Florida have a lot of golfers, but that is not their intention, adding they want a lot of open space and they know where the areas of open space are, according to the permits. Mr. Krahn then stated there are some open space areas they can't touch and some they can to put in pathways and make minor changes, adding there is about 1,600 acres of property that has to be preserved.

Mr. Reinbold then continued speaking about the design of the project. Vice Mayor McGoffin asked if the resort would be developed first to attract people or if the resort would be built later with Mr. Reinbold stating there are 2 types of resort areas; 1 in the early stages of the development and 1 later as the project progresses, adding they want a nice quality resort, which is something missing in this area.

Councilmember Lambert asked if houses would be built on the west side of Highway 90 and about the water features with Mr. Reinbold confirming there would be some houses built west of Highway 90 and then spoke about water features. Mr. Reinbold said they are looking at what the lakes can be used for, the aesthetics, using recycled water, and irrigation for the golf course, noting their goal is to make the development as appealing as possible. Councilmember Lambert then asked about the project fitting into the City's General Development Plan (GDP) with Mr. Reinbold stating the project fits well into the current General Development Plan and they are working and watching for any changes to the GDP. Councilmember Lambert then asked about the probability of the project moving forward with Mr. Reinbold stating the fundamental differences between El Dorado and other investors is that El Dorado purchased the land to develop, adding they are a very conservative group who generally develops their own land. Mr. Reinbold then spoke about El Dorado's development in the city of Maricopa, stating there was an emerging market when they started, noting Maricopa's population increased from 5,000 to 50,000 in a 6-7 year period. Mr. Reinbold then stated El Dorado knows and understands marketing and the development process. Mr. Reinbold then noted they can't control the market, but a development with a diversified community and an age-targeted market group stays steady. Mr. Reinbold then stated they think the proposed development has the potential of 2,000 homes a year over 20 years.

Councilmember Boyle asked about the housing costs with Mr. Reinbold stating the homes will be from \$150,000 and up, adding they are still exploring the project, but they believe the opportunity exists for homes in the \$500,000 range also. Mr. Reinbold then referred to the Villages in Florida stating the homes

there range from \$160,000 to over \$1 million, with an average cost of \$250,000. Mr. Reinbold then stated the proposed development is not a retirement community but will be an age-targeted lifestyle, for people who intend to be active and not put a drain on parts of the local environment. Mr. Reinbold then continued stating the age they will market to is about 55 and will be corporate people who desire to have a second home maybe 10 years before they retire and could be both part-time and full-time residents.

Councilmember Cook asked about the need for land for schools if the targeted age was 55 with Mr. Reinbold stating there will also be conventional housing for families, adding it will also depend on the demand for different types of homes within the project. Mr. Reinbold stated he can't predict the demand and they would want to create the flexibility to follow the market. Councilmember Cook then expressed concern over the new state law regarding construction sales tax being paid where materials are bought instead of where the construction takes place with Mr. Reinbold stating El Dorado will use local supplies whenever they can, whether it be materials, labor or something else.

Mayor King asked about open space and parks with Mr. Reinbold stating 1,600 acres of the property has been designated by the Army Corps of Engineers to be open space.

Mr. Reinbold then thanked the Council for the opportunity to present the project and stated they would be meeting with Council in the upcoming future.

2. **Presentation by Mark Reader, Stifel, Nicolaus & Company, Inc., on Community Facilities Districts**

City Manager William Stephens addressed Council stating the proposed project might have generated some thoughts on how infrastructure for such developments is funded, adding the next speaker is investment banker and bond underwriter Mark Reader from Stifel, Nicolaus & Company, Inc. Mr. Reader distributed handouts to the Council (which will be retained with the Council packet) and then addressed Council. Mr. Reader stated Finance Director Megan Moreno contacted him about the possibility of a CFD (Community Facilities District) for the proposed development in Benson. Mr. Reader then stated real estate development is a risky and very complicated business. Mr. Reader then started explaining CFDs, which are created by a city or town within a defined area, noting the CFD will only affect the residents of the district and will not impact people who live outside the district. Mr. Reader said when a CFD is formed; it would become a living breathing political subdivision of the City of Benson and would probably exist in perpetuity. Mr. Reader then spoke about 2 different types of bonds; general obligation (GO) bonds and special assessment bonds. Mr. Reader said GO bonds are issued by a district and are paid for by property taxes, such as school bonds, adding CFDs have the authority to issue general obligation bonds to pay for public infrastructure, roads, open space, parks, streets, parkways, landscaping, drainage, public utilities, civic buildings, police and fire stations, parks and recreation facilities other than stadiums, open space areas for assembly or entertainment use, lighting systems and regional public infrastructure, adding the eligible uses are pretty broad. Mr. Reader then stated special assessment bonds result in a per lot assessment instead of a property tax, adding special assessment bonds can be used for public infrastructure, such as water, wastewater and streets.

Mr. Reader then gave a brief background of his work stating he has worked in public finance, specific to Arizona, for the last 25 years with cities, towns, counties and some school districts, adding his specialty is emerging markets of cities, towns and counties with CFDs. Mr. Reader then stated he has worked with the City of Benson over the years for City issued revenue bonds in the amount of \$5 or \$6 million and the refinancing of those bonds a few years later. Mr. Reader then stated he has now been retained to assist the City in working collaboratively with El Dorado, adding developers can use CFDs to raise equity for their proposed development and advance millions of dollars for the project. Mr. Reader then stated his firm's job is to assist with the issuance of tax-exempt bonds, adding cities and towns can issue debt and the interest income from those bonds is exempt from federal and state taxation. Mr. Reader then explained that municipalities, community colleges, school districts, hospital districts and community facilities districts can use bonds to finance public infrastructure on a tax-exempt basis with lower interest rates, which drives down the development's cost of capital. Mr. Reader then stated the bond underwriters have to be careful because they have professional responsibilities to the CFD board of directors as well as the legal and regulatory standards. Mr. Reader then stated the other role his firm provides is to find investors who

want to purchase those bonds.

Mr. Reader then continued his presentation talking about the cycles of development and other CFDs in place in Arizona, noting the Town of Florence formed 2 CFDs for development and then the recession hit, but he noted Florence is coming out of the recession now. Mr. Reader then explained that CFDs allow enhanced infrastructure to attract people to a development and without a CFD; it's hard to do that. Mr. Reader stated Pulte is looking forward to continuing issuing bonds and moving forward in their Florence development and have done both general obligation bonds and special assessment bonds.

Mr. Reader then told the Council that as they consider CFDs, they need to be considering public policies and objectives for the CFD process and noted Benson may get other developers wanting to use CFDs in the future. Mr. Reader then talked about transparency and communication being critical and noted that while CFDs are fantastic tools, they can be a disaster if they are not managed right, adding successful CFDs educate people about getting a fair bang for their taxes.

Mr. Reader then briefly spoke about state law concerning CFDs in Title 48 and that they have been in the state law for about 24 years, adding other states have utilized this tool also. He then stated about 15 cities in Arizona are using CFDs, including 3 in Marana, the one for Rancho Sahuarita development in Sahuarita, a recent CFD in Mesa for the large project proposed to develop the former GM proving grounds property. Mr. Reader stated there have been about 160-170 CFD transactions since 1991, adding the state has been conservative on their use, but noted his firm has been involved with most of those transactions.

Mr. Reader then addressed the seriousness of issuing bonds and what happens if there would be a default, adding it would not impact a city's general fund because the CFD is a separate political subdivision, but even so, the process needs to be done carefully so nothing like that happens. Mr. Stephens stated this is why the City would eventually hire a bond attorney with Mr. Reader agreeing. Mr. Reader then stated the Board of Directors for the CFD could be the Council, but since the proposed development by El Dorado consisted of more than 600 acres, the Council could appoint a separate board, adding there are pros and cons to consider in doing so, such as insurance ramifications and stated there would be some additional conversations regarding the Board of Directors.

Mr. Reader then spoke about tax rates and said the statutes allow for revenue of \$.30 per \$100 of assessed valuation for an operating tax, which is not to pay debt service on bonds, but is a revenue for operating costs. Mr. Reader stated that may not be a lot of value right now, but it would be more once a district is formed and development occurs. Mr. Reader then stated again, the state law allows for \$.30 per \$100 assessed valuation operating levy that goes into a special account for maintenance and operation of the district, which includes staffing, improvements to the property and maintenance.

Mr. Reader then continued the presentation with the information on other local taxing districts and their current taxing rates, such as Cochise County – \$2.30, a Flood Control District – \$.26, the Cochise County Library District – \$.14, the Cochise County Fire District Assistance – \$.10, which is statewide, the San Pedro Valley Hospital – \$.90, the Benson School District, which has a primary and a secondary tax, for a combined taxing rate of \$6.98 and the City of Benson's current property tax rate of \$.55. Mr. Reader then stated the combined tax rate for a Benson resident is \$14.15 per \$100 assessed valuation, which means that on a home valued at \$150,000, the combined tax rate would be approximately \$1,800 per year or \$200.00 per month. Council then brought up that the property purchased by El Dorado is in the St. David school district with Mr. Reinbold and Mr. Krahn stating that 5% of the property is in the Benson school district and 95% of the property is in the St. David school district. The Council then reviewed the annual and monthly tax rates in the presentation and discovered a mathematical error, but understood the taxing districts and their taxing rates. Mr. Reader then stated if another CFD is formed, it will place an additional tax on the homes in the district, but only to the homes in the district. Mr. Reader also stated the tax burden is disclosed to each potential homebuyer, adding they get a disclosure statement when they view homes for sale and again at the closing, noting communication is very important.

Mr. Reader then noted the City of Benson and the St. David school district may want to have a bond election in the future for projects. Mr. Reader then spoke about the roles in the CFD process, adding his

firm provides underwriters and sells the bonds. Mr. Reader said there is a developer consultant and they will have their own legal counsel. There is a district engineer as it relates to special assessment bonds and is needed to satisfy requirements. There is also a bond attorney, on the financial side, who works for the Council, adding the Council will retain a bond attorney for the City, who will act as legal counsel, which is also required by law.

Mr. Reader stated he hoped the presentation was helpful and could answer any questions the Council may have. Councilmember Cook then asked if maintenance stayed with district or went to the City with Mr. Reader stating that would need to be decided and could be a negotiating point, adding \$.30 per \$100 could be levied, but until that revenue became sufficient to perform maintenance, the Council would have to work something out with the developer. Councilmember Cook then stated the bond issuer was The Villages at Vigneto, but asked if the bonds were City bonds with Mr. Reader stating the City is the issuer of the bonds. Councilmember Cook asked if bonds were issued before or after the work was done with Mr. Reader stating typically it's done both ways with bonds upfront and then ongoing for the infrastructure with the costs being split between the bonds and the developer. Councilmember Cook then asked if the Board were to issue \$1 million in bonds, how they would determine they received \$1 million in work with Mr. Reader stating the procurement process for this is similar to the City's procurement process and would need to be publicly bid, adding the procurement process must be followed so the infrastructure will be eligible for bond funding. Councilmember Cook then expressed concerns over erosion and Mr. Reinbold stated hydrology is looked at and the drainage will be done to manage the property.

Mayor King thanked Mr. Reader and then called for a break at 11:22 a.m. The Council reconvened at 11:48 a.m.

3. **Presentation by each Department of the City on Department status, goals and objectives**

City Manager William Stephens stated this item will be presentations by Staff regarding their portions of the budget and will include their thoughts with regards to how to provide services and where they need to possibly continue to cut the budget, adding this will be dependent on the future of revenues. Mr. Stephens then stated at noon, the Council is scheduled to break for an hour for lunch and when they reconvene, the presentations will continue.

City Clerk Vicki Vivian gave brief statement about the City Clerk's office and then discussed accomplishment and short- and long-term goals that are in place. Ms. Vivian spoke about Council packets and the process of creating a Council packet, including keeping track of items that need to come before the Council, the assistance she gives in preparing items for the packet and working with the City Attorney for legal review, noting a lot is done behind the scenes before Council sees the finished product. Ms. Vivian then spoke about other duties, which included processing the Council packet after a Council meeting is over, creating minutes, updating the City Code per Council action, handling Council travel arrangements and all logistics for the Mayor/Manager luncheons, the Showcase of Cities booth at the League's annual conference, reception service in Administration office, boards and commissions, records organization, records retention with other departments, record requests, serving as the City's elections official, maintaining the Clerk and Council portions of the City's website, legal postings, the budgets for the City Clerk and the Council, serving as the deputy secretary for the BMPC and the Volunteer Fire Pension Board, hosting a potential candidate forum for those interested in running for Council and serve as a resource for staff. Ms. Vivian then spoke about goals for the Clerk's office including the organization of records back to the City's incorporation date in 1924, which in an ongoing project, quarterly worksessions with Council and the City Attorney to keep Council abreast of open meeting laws, conflicts of interest, policies and new legislation, creating a boards and commission training seminar, hosting a Voter registration day to encourage participation in the local government process, records retention training for Council, boards, commissions and Staff, creating a manual for the City Clerk's office, creating SOPs to be incorporated into the manual, creating a government outreach program with the Benson school, and creating and hosting a citizens academy with each department giving presentation to increase public knowledge of operations. Ms. Vivian then stated she works with all departments to assist in research when needed to produce Council items and works close with the City Attorney regarding legal matters and legal review of document, adding Staff prepares legal documents for review instead of the City Attorney preparing the

documents in an effort to continue reducing costs. Ms. Vivian then stated furloughs have reduced working hours to 36-hour work weeks, adding the Clerk's job can't be done in 40 hours a week and certainly can't be done in 36 hours a week. Ms. Vivian then stated this reduction affects every department, with items for Council being pushed back because Staff is dealing with urgent issues, but eventually everything becomes urgent because of deadlines and this is not a good way to operate the City. Councilmember Cook mentioned the Clerk's office also provides assistance to Council with their iPads when there is a problem.

Mr. Stephens recommended having lunch with Mayor King stating the Council meeting would break at 12:07 p.m.

Council reconvened at 12:53 p.m.

Tourism Director Bob Nilson spoke about Benson being the hub of Cochise County with Amtrak only stopping in 4 places in Arizona: Yuma, Maricopa, Tucson and Benson. Mr. Nilson then stated the Visitor Center is also the official Greyhound stop now. Mr. Nilson stated the Visitor Center is open Monday through Saturday, 9:00 a.m. to 5:00 p.m. with a staff of 2.5, adding Dick Ferdon is a volunteer who has come in when no one else has been there. Mr. Nilson then spoke about the different advertising he purchases to promote tourism and the maps of Benson showing all the hotels, restaurants, fast food locations and RV parks that are distributed in a corridor that encompasses Casa Grande, Pinal County, Pima County and Cochise County, noting 35,000 maps are printed and distributed each year promoting Benson. Mr. Nilson stated he is welding stands to hold the same map, enlarged to 4' x 8' and stated they would be displayed in Benson at various locations, adding he is building the stands himself due to budget cuts and has to work on them when he has time. Mr. Nilson then spoke about the Cochise County Tourism Council the City belongs to and their efforts to promote tourism in Cochise County, including the Land of Legends magazine they publish. Mr. Nilson then talked about the advertising the City did using 2 billboards, noting the cost of the billboards, which weren't in very good locations, was \$11,000 and that he feels there is no way to know if those ads worked because there is no tracking mechanism with billboards and that the City could do better with other advertising opportunities. Mr. Nilson then stated he is often asked to talk on the history of events in Benson.

Finance Director Megan Moreno spoke about the Finance Department with 5 Staff members; herself, 1 for payroll and accounts payable, 1 for the collection of utility bills, 1 for utility billing and 1 for grant management and accounting and noted all her staff is cross-trained. Ms. Moreno then spoke about the accomplishments of the Finance Department including the implementation of the online bill pay system with over 600 customers and the renegotiation of the City's merchant service fees, noting the reduced costs of the merchant service fees pays for the bill pay service instead of having to pass that charge on to the customer. Ms. Moreno stated the online bill pay system offers paperless statements and emailing utility bills to customers, adding she can also email City information with those bills giving the City another information distribution system. Other accomplishments included moving the transit grant administration back to the Finance office and conducting an internal audit for solid waste, adding she found overcharges by the contractor and undercharges for some customers. Ms. Moreno then spoke about the duties of the Finance Department which includes processing all financial activities for the City, financial reporting, analysis, internal controls, investment management and debt management, noting the City has issued some bonds, audit coordination for the annual audit, budgeting, procurement administration, grant administration, sales tax monitoring, serving as the administration point for risk and insurance, accounts payable, payroll, utility billing and collection, work order processing and business licensing. Ms. Moreno stated she also administers the CIP program under the budget process and she served on the EDSC before it was disbanded. Ms. Moreno then spoke about goals for the Finance Department, noting she is leaving the City, but has agreed to stay on during the transition and will pass these goals on to the new Finance Director. The short-term goals included the implementation and central administration of the procurement code, with procurement SOPs in place to streamline the process, continuing to monitor changes at the legislative level regarding TPT tax, audit authority changes and the major change in construction sales tax to the point of sale location instead of the construction activity location, adding this change would only apply to remodeling activity and not be applicable to new construction. Ms. Moreno then spoke about the State's plan to sweep \$8.2 million of state shared TPT tax and to charge over \$2 million to Arizona cities for the Department of Revenue (DOR) collection activities, which will be taken out of the City's TPT collections

they distribute. Ms. Moreno stated in sweeping these funds, the DOR will increase their staff for collecting and auditing, adding the cost to do this will be \$10.2 million and the State thinks DOR will get \$6.5 million back from increased activity, noting the change will still be costing cities. Ms. Moreno then stated the State is also recommending the removal of rental TPT tax. Ms. Moreno then continued speaking about the short-term goals that also include creating a Finance Department manual and putting the Finance Director in the City Code. Ms. Moreno then spoke about her long-term goals which include the completion of a Comprehensive Annual Financial Report (CAFR), adding right now, the City has basic financial statements by the auditors in accordance with the audit, but eventually she would like to complete a CAFR. Ms. Moreno stated 2 years ago, legislation required a transparency reporting website and the City has utilized the State website (Arizona Open Books) for that, but it does cost and if the City were to have a CAFR, it would satisfy the requirement and the City wouldn't need to pay for that service. Ms. Moreno then spoke about the Caselle software system used in the Finance Department and that not all modules are being utilized, adding it would cost money to implement some modules the City already has, such as electronic work orders, the asset management system and being able to attach documentation to Caselle, which would eliminate having to search through paper records in storage. Ms. Moreno stated the City has a maintenance agreement with Caselle and the IT contractor, Executech, who is the preferred IT provider of Caselle assists with updates. Ms. Moreno stated other goals include the implementation of a round up program in utilities so people can choose to pay a little extra and that money is kept in a separate fund to help the needy pay for their utilities, but noted timing constraints and the online bill pay program took priority. Ms. Moreno stated SEACAP is willing to administer the program, but they don't have the capability for compatibility with the online bill pay program, adding she is waiting to hear back from them to see what can be done.

Chief of Police Paul Moncada stated the Police Department is the single largest department in the General Fund, adding they provide service 24 hours a day, 7 days a week, 365 days a year. Chief Moncada stated the Police Department provides dispatch for police, utilities, Benson Fire, Mescal Fire, St. David Fire and Pomerene Fire. Chief Moncada then spoke about the process of transitioning to new software called Spielman Technologies, which is most used in this part of the country and will allow the Police Department to be connected to Willcox, Douglas, the Cochise County Sheriff's office, Bisbee, the Tombstone Marshall's office and Huachuca City. Chief Moncada stated the cost for this software change is \$163,000 compared to the City's own system, which would cost about \$400,000; then stated it's much better to piggyback with the County. Chief Moncada then stated the cost for this transition is being paid for by a private foundation and there will be no cost to the City, adding the same foundation is paying transition costs for Willcox and Huachuca City also. Chief Moncada then spoke about the features of the new software system which will allow improved tracking of officers and calls and the searching of a shared database to receive information on involvements throughout the County with the exception of Sierra Vista, who uses different servers. Chief Moncada then stated eventually, the Police Department will be able to check involvement statewide with another part of this, called Kaufman. Chief Moncada then spoke about the Automatic Vehicle Locating (AVL) feature with all police cars having an antenna and dispatch being able to tell where they all are at any given moment. Chief Moncada stated if the radios the Police Department has have GPS capability, officers without antennas can be tracked using their radio, whether it's portable or mobile. Chief Moncada then stated AVL was included in the package and if the radios have GPS capability, he will work with IT to get them activated, but if the radios don't have the GPS capability, antennas will need to be purchased, adding the antennas are not real expensive at about \$65-\$70 each, but when 15 or 20 are needed, it can cost quite a bit. Vice Mayor McGoffin stated the portable radios the Police Department had 2 years ago had some dead spots in Benson with Chief Moncada stating to correct that issue would cost about \$150,000. Chief Moncada then spoke about budget concerns with the Governor sweeping funds to balance the state budget and HURF funds being taken again, instead of coming back to the cities this year. Chief Moncada then spoke about mandates from the State legislature, stating a bill is currently being considered that would require all police officers to wear a body camera, adding the mandate comes with no funding so it would be up to the City to acquire or develop funding to comply with the mandate. Chief Moncada stated each camera costs about \$600-\$700 and another part of the cost would be storing the videos, adding video takes a lot of storage and may require a new server. Chief Moncada then stated the legislative bills are still going through the process so the City will have to wait and see what happens. Chief Moncada then spoke about the federal government reducing grants in order to balance the federal budget, adding a few years ago the Police Department received \$200,000 in grants, but last year was only awarded \$55,000 Chief Moncada stated the federal government has also decided to move away

from funding equipment and only fund overtime and people on the street programs, adding opportunities for being able to acquire funding for equipment are almost non-existent now. Chief Moncada then stated this year, Cochise County and Sierra Vista agreed to go to a 700mhz system and for the department to be able to continue to communicate with them, a transition to a dual-band radio is needed, adding the cost of one radio is \$7,000. Chief Moncada then stated as part of a Stone Garden grant application, he requested a radio and while the radio was funded by the grant, the amount of the overtime funding was reduced by the cost of the radio. Chief Moncada then stated the 2009 budget for the Police Department was \$2,351,743 and last year the Police Department budget was \$1,800,214; a reduction of \$551,529. Chief Moncada stated the Police Department is providing the same level of service, but it is becoming extremely difficult.

Chief Moncada then spoke about the Police Department fleet which needs to be replaced, stating the last time the City spent any funding on vehicles was in 2005 and any vehicle purchased since then has been purchased with grant funding or RICO money. Chief Moncada spoke about personnel and stated his number 1 goal is to retain personnel, but furloughs have taken quite a toll with the police officers now taking a wait and see approach. Chief Moncada stated he will probably have a senior patrol officer retire, another officer will be leaving for DPS, there is 1 vacant officer position and 1 vacant dispatch position and he converted another full-time position to a part-time position that is also vacant, adding he has not filled these positions in an effort to save money. Chief Moncada then spoke about the time it takes to hire or replace officers, noting the process of recruiting, testing, background checks, hiring, the police academy and field training means it takes a little over 1 year before an officer can work solo, which means it will be over a year before any new officers are on the streets. Chief Moncada then stated the result is fewer officers which equal more hazardous conditions, adding it is a balancing act now with the number of current officers. Chief Moncada then stated the preference is to not lose officers, noting there needs to be a plan to have things better. Chief Moncada then stated the El Dorado project gives us hope, but it will be years down the road before it would result in a substantial benefit to the City, which is why he is asking the Council to try and find additional funding sources or additional funding so furloughs can be eliminated and the City will be in a better financial situation. Chief Moncada stated it's fine to hire an officer initially, but with no raise or COLAs and furloughs, officers start to look around at other opportunities and it's very difficult to try to come up with new ways of trying to keep personnel in Benson because there isn't a lot of upward mobility. Chief Moncada stated he tries to do what he can laterally, to give officers a different perspective, such as the Auto Theft Task Force with new training and duties, but there aren't a lot of those opportunities to do that and maintain an active force on the street which is his number 1 priority.

Councilmember Lambert asked about the policy on officers going to court when they issue traffic citations and stated he understands the City gets a percentage of the court costs, but he checked with the Finance Director who after seeing the City never received anything, checked and found the money goes for the jail system. Councilmember Lambert then stated the County has also said jail costs will be going up and the City will be billed for this. Councilmember Lambert then stated when an officer decides not to go to court for traffic citations, unless there is a good cause to continue the hearing, the case is thrown out which means any money that would help is being thrown out. Chief Moncada stated any citations issued by the officer would be in either Justice or Superior Court and a subpoena would be issued and served and the officer is required to attend. Chief Moncada then stated he hasn't been informed of any officers not showing up in court and if there is a problem, he needs to be informed so he can deal with the issue appropriately. Councilmember Boyle asked if the officer has to appear on his own time with Chief Moncada stating the Police Department used to pay the officer 2 hours per appearance, but now the pay is for the actual appearance time, in an effort to save money.

Councilmember Cook spoke about grants from Indian gaming, stating he understands 12% of the money taken in is required to be given back to communities, adding tribes like to issue grants on a quarterly basis and like to grant funding to Police and Fire Departments, especially for vehicles, equipment and dogs. Chief Moncada stated he applies for grants from the Tohono O'odham nation every year and he is also looking into other tribal grants. Chief Moncada stated last year, the department received funding to replace tasers and were able to purchase 5, adding he will continue pursuing grants to complete the replacement, but the grants are competitive and a lot of other agencies apply, noting the department was unsuccessful the last 2 years. Chief Moncada then stated these grants require no matching funds, which are the only type of grants he currently applies for.

City Manager William Stephens stated each department was allocated 15 minutes to address Council, but were taking 30-45 minutes, adding there were 5 more presentations to go with Public Works Director Brad Hamilton needing to address many different areas.

Fire Chief Keith Spangler gave a brief overview of the services the Fire Department provides, such as 911 calls, commercial inspections of about 104 of 430 commercial buildings around the City, maintenance of apparatus, issuing burn permits for ADEQ, plan reviews, administrative duties such as payroll, stats, noting any grant application requires stats for at least 3 previous years to justify the application. Chief Spangler then spoke about the Explorer program for anyone 14-21 years old to join and see what it's like to be a firefighter, adding the explorers complete the same training and can do everything a firefighter does, except go interior on a structure fire. Chief Spangler stated once the fire is out on a structure fire, the explorers can do overhaul and hot spots. Chief Spangler then spoke about the number of volunteers on the department; 28 members with 5 on reserve who live out of the City and come in to serve a number of shifts each month and then go back home. Chief Spangler stated that program is not in place right now, so the department doesn't have the availability to respond to calls after 4:00 p.m. if they leave town, adding out of the 23 volunteers, there are about 10 who respond on a regular basis, if they are available, noting the rest of the volunteers are a hit and miss and he is working on clarifying their status. Chief Spangler then stated last year, the department responded to 999 or 2.7 calls a day for the year, up from 2013, when they responded to 877 or 2.4 calls a day and this month, the department has been running right at 3 to 3.5 calls a day. Chief Spangler stated he didn't apply for any individual grants this year, but did apply for a regional grant with Rincon Valley for SCBAs. Chief Spangler then reviewed his budget and the cuts that were made to shift coverage during the day, training, turnout maintenance and replacement, station repair and maintenance, equipment repair and maintenance and community service projects such as fire prevention education. Chief Spangler spoke about required certified education and training needed to maintain the City's current ISO rating of 5, adding ISO ratings affect homeowners' and commercial insurance rates. Chief Spangler stated the highest ISO rating is 10, which means there is no fire protection at all. Councilmember Cook asked how Benson compares to others in Arizona with Chief Spangler stating Benson is average for its size, adding Sierra Vista has an ISO rating of 4, but was previously a 5. Chief Spangler stated a lot of Benson's ISO rating has to do with training and personnel, adding the NFPA requires 17 people show up on a first alarm for a residential structure assignment, noting that would be an engine, ladder, ambulance, a battalion chief and service vehicle and he is lucky if 4 volunteers respond. Chief Spangler then stated there have been structure fires where he has had 6 people on scene, but that was by utilizing 3 Fire Departments, adding all the Fire Departments have the same problem with volunteers, which is why the reserve program was instituted. Chief Spangler then continued speaking about the need for an annual exam for firefighters to ensure they are fit for duty, noting 75% of firefighter deaths are due to heart attacks and strokes. Chief Spangler then spoke about the NFPA guidelines for turnout maintenance and replacement and how both the U.S. Osha and Arizona Osha adopted the same standard, which makes the maintenance and replacement mandatory. He continued speaking about the required equipment testing and maintenance or repairs that must be made, noting the bay door motors are barely working and are leaking oil. Chief Spangler then spoke about the community service projects and the fire prevention education normally done at the schools to educate primary school age children about stop drop and roll, having a fire plan, to meet someplace, etc. with handouts they can take home and talk to their parents about, adding it wasn't done last year, but he hopes it can be put back in the budget. Councilmember Lambert asked about the cost of this program with Chief Spangler stating the coloring books, pamphlets on home safety inspections and escape routes, pencils and erasers cost about \$1,500-\$1,700 just for Benson, adding the program usually serves about 500 kids. Chief Spangler then stated he uses the leftover supplies for the hospital safety fair, adding he would like to reach everyone he can with this information. Councilmember Konrad asked who would provide this information if the Fire Department didn't and stated the Council needs to seriously consider funding \$2,000 to this important program. Chief Spangler agreed, adding he also would like to provide fire extinguishing training for upper grades using live props to demonstrate how to put out an actual kitchen or trash can fire. Chief Spangler then spoke about grants and that it is hard to apply for them with limited full-time staff, adding most grant applications require a study on the targeted audience and he doesn't have time to do studies, but noted the department did receive a grant for a new engine, which is being built and is scheduled to be delivered in May.

Chief Spangler then spoke about how important it is for firefighters to be hydrated before going on a call,

adding he met with the insurance carrier for workmen's compensation who told him most of the firefighter claims are for dehydration and therefore, it's important to provide hydration drinks. Chief Spangler then spoke about the State Forestry contract the City has and its potential to raise income for the City, stating he projected it would take about 5 years to get someone qualified to take the apparatus out per the contract without the assistance from other departments. Chief Spangler then stated currently there are 2 people who will hopefully have their tests completed and can then go out on extended assignments starting next year. Chief Spangler then stated the his department helped out another department last year and that department hopes to be able to give Benson's Fire Department an Engine Boss at least twice this year, so if Benson gets called out, money can be made for the City. Chief Spangler then noted the problem is the department hasn't had enough reserve money to pay 2-4 people to go out on assignment, adding the average pay is about \$5,000 for a 2-week 12-16 hour day assignment and if there isn't any money to pay them, they can't be sent out to earn income for the City. Councilmember Lambert asked about the apparatus the department got 18 months ago and if it could be used to create income with Chief Spangler stating it is a matter of that particular apparatus being needed and being on the list for calls and then explained the process of being requested for calls.

Councilmember Konrad asked about compensation for preparing the burn permits with Chief Spangler stating the State doesn't compensate the department, but preparing the permits gives the department local control over who is burning and what is burning in addition to costs savings from being dispatched unnecessarily. Councilmember Konrad agreed the cost of issuing the permits is not significant compared the benefit.

Councilmember Lambert stated the Council will be looking at both expenses and revenue with the upcoming budget and asked about the expenses the Council created around 2009 with the implementation of the Fire Department responding to EMS calls. Chief Spangler stated the expenses were very little compared to the other side, adding this year the department had 2 code saves from being on scene, by being able to do CPR and keeping the patient alive until the ambulance arrived to transport them. Chief Spangler then stated the increased line item for supplies, such as gloves and things, is \$3,000, adding most of the supplies, with the exception of gloves, get replaced by the ambulance company including IV supplies, oxygen masks and the oxygen that is used.

Councilmember Lambert then stated he had spoken to some firefighters who have told him they are first to arrive on scene and do what they can, but then have to wait quite a while for the ambulance and then asked what it would take to have an ambulance and be able to transport patients. Chief Spangler stated to do so would be cost prohibitive, adding one ambulance costs about \$70,000-\$100,000 without any equipment. Chief Spangler then explained that ambulance services are provided through a certificate of necessity, which is issued by the State, adding to take the certificate of necessity from the current ambulance company, the City would have to show negligence and that the City could provide that service, adding the current provider would probably fight that in court. Chief Spangler stated the City would need to purchase at least 2 ambulances and hire 4 people in order to provide 24-hour coverage 7 days a week because patients have to transported to the most appropriate hospital or where they request to be taken, which could possibly take that ambulance out of service if the patient needed to be taken to Tucson. Chief Spangler then stated most of the time, patients go to Tucson or to the VA, adding the VA won't pay to transport a patient to Benson since they have their own emergency room. Councilmember Lambert asked if there was any way to share the certificate of necessity with Chief Spangler stating he would have to look into it, then stated the department would need to start documenting the current provider's response times, but noted the certificate of necessity addresses how long the provider has to respond to calls and as long as they are responding within that timeframe, they are fulfilling that requirement.

Vice Mayor McGoffin stated this would also become an issue of municipalities taking money away from private businesses. Councilmember Lambert stated he was just looking at ways to make revenue with Chief Spangler stating in 1990 or so, the City had the option to take over providing ambulance services for Benson, but chose not to, which is how Benson Ambulance came into formation, adding he could look into the matter if the Council directed him to do so.

Library Director Peggy Scott gave a brief statement regarding the library and then spoke about staffing

changes, noting the library went from 5 full-time employees to 4.5 employees and have reduced their hours of operation due to the loss in Staff and furloughs. Ms. Scott stated last year, the library completed a very successful summer reading program and Staff is working on scheduling presenters for the next one. Ms. Scott the stated in January, the library started a new program for children, called pre-k, which was a short program with limited attendance due to a smaller staff, but it was also very successful, adding that program will be offered again this year. Ms. Scott then stated in the previous fiscal year, the library provided 113 programs with over 1,500 children attending the programs. Ms. Scott noted part of the programs offered computer classes in the mornings, but due to a loss of Staff, that program has been eliminated, adding she would like to try and provide that program again. Ms. Scott stated other services offered by Staff are library tours for kids and scout clubs. Ms. Scott then stated the library is trying to change to meet the community's needs, adding technology keeps changing and her Staff is trying to keep up with that, but the library lost 1 adult computer, 1 children's computer and a laptop, adding the City doesn't have the funding to replace those. Ms. Scott stated she has been careful about spending this year, adding not only was Staffing cut and furloughs implemented, but all departments were asked to be careful with their spending so she cut back on books. Ms. Scott said people ask about new books and the hours the library is open but she has told them it will depend on whether or not further cuts and further reductions in hours will be required. Ms. Scott then stated the current library hours still provide a good service to the community, but the library is now closed on Saturdays due to the cuts that have been made and noted with some employees on furlough days and others on vacations, the reduced operating hours are still hard to maintain. Ms. Scott then stated the library still gets compliments and it's nice to get those compliments from winter visitors who have traveled around the country and have seen a lot of other libraries. Ms. Scott then stated library patrons can now use credit cards and the library staff has just put out a survey to get some feedback from library users.

Recreation Coordinator Laura Parkin spoke about her duties that include the community facilities rentals of ballfields, ramadas, the community center and the pool. Ms. Parkin then spoke about events and noted the City events, the Tree Lighting Ceremony and the Light Parade, are incredibly time consuming, noting she also puts together the advertising for Butterfield Stage Days. Ms. Parkin continued speaking about her duties that include accepting and processing special permit applications and working with organizations wishing to hold special events in the community to ensure safety and quality and make sure the City has the needed insurance coverage, adding she works with each department to get approval and once she gets all approvals, she issues the permit. Ms. Parkin then spoke about recreation programs and the increase in participation each year, adding she had 2 temporary assistants in the office last summer and that helped with participation. Ms. Parkin then stated last summer to save costs, she decided to close the pool when school started and she also eliminated a couple days a week for adult swim due to extremely low numbers. Ms. Parkin then stated she assists in hiring lifeguards and she schedules and supervises the lifeguards. Ms. Parkin stated she is a certified pool operator, so she has to make sure the chemicals are right and the pool is clean. Ms. Parkin then continued about her duties, including updating the City's website content with the exception of the City Clerk's office, updating the City's facebook page, participating on the Cochise County Tourism Council to promote recreational tourism, creating and completing all the Safety Data Sheets for her department and creating SOPs, adding she is not always going to be here and she didn't want to leave her department like it was left for her. Ms. Parkin then spoke about current projects, such as the new City website, working with State Parks and the National Forest Service on a trail from Las Vegas to Douglas through the Whetstone Mountains, adding this makes a master plan for parks, trails and open spaces even more critical, because connecting to the trail makes Benson more attractive. Ms. Parkin then stated the Lions Park master plan needs to be updated to reflect the results of the 2013 recreation survey, adding the BEDC is applying for a grant to get trees and it would be beneficial to have the master plan completed and incorporate trees into the plan, rather than getting a grant for trees and then just putting them in anywhere. Ms. Parkin then spoke about projects that are on hold such as a management policy for municipal partnerships and sponsorships, adding partnerships with businesses could absorb some of the City's costs, adding in the case of fire prevention education, Arizona G&T could become a sponsor and pay for it and in turn, get advertising for doing so. Ms. Parkin then stated other projects on hold include updating Chapter 11 in the City Code, creating a chapter for special events, creating a skin cancer prevention program to be used to apply for grants at Union Street Park, the Skate Park project and completing her SOPs. Ms. Parking then stated she has cut everything from her budget that she can, adding if further cuts are needed, she will have to cut services; there will be no camps on Fridays because of

furloughs and other things like the Movies in the Park won't be provided.

Councilmember Lambert asked about the current master plan for Lions Park with Ms. Parkin stating the current plan shows multi-purpose fields in spite of the wash, adding based on survey results, the recommendation would be putting in additional baseball and softball fields west of the wash. Ms. Parkin then stated she can apply for a grant with the Arizona Diamondbacks to get the fields built at no cost to the City. Ms. Parkin then stated she is also trying to work with SSVEC to see about getting the electrical equipment for lights at the Sandlot, noting the City doesn't have the money for that either. Ms. Parkin reiterated the need for additional ballfields, noting it is a struggle each year between the schedules for leagues and other people who want to hold special events. Councilmember Konrad asked how competitive the Field of Dreams grant with the Diamondbacks was with Ms. Parkin stating they award 1 grant each year and covers all the costs of constructing the fields with the exception of a flag pole the Council wanted, but noted she hasn't looked to see how many entities apply for the grant. Councilmember Konrad stated former Mayor Richard Saenz with the Diamondbacks organization was an ally of Benson and gave a lot support to his hometown, adding the booster club had a lot of success with the Diamondbacks. Ms. Parkin agreed and stated she has always gotten a lot of support from Arizona G&T also.

Director of Golf Joe DelVecchio stated he has been with the City for only 3 months, he then spoke about customer service, stating when someone experiences golf, their experience is not limited to the golf course, but starts as soon as they get out of their car in the parking lot and they remember the entire experience. Mr. DelVecchio then stated playing golf was on its way up in the 60s, 70s and 80s, but in the 90s, play started to decrease, however, according to the National Golf Foundation, play has started to increase again. Mr. DelVecchio then spoke about the City's golf course, noting the fleet of golf carts is 1 year old and is kept nice and clean, though sometimes, it is a struggle when there are 117 carts and 1 person is tasked with this, adding it becomes even more challenging when they have additional duties such as bringing in the range balls. Mr. DelVecchio then stated this position is filled by 2 part-time employees limited to 20 hours a week, and noted he is trying to use another employee from inside the proshop as a starter to help out with that because the impression of clean golf carts is fairly important. Mr. DelVecchio then stated he played the golf course here in the early 2000s, but he hadn't seen it for a long time and the first thing he noticed was the course is unfinished, adding the cart paths can drive away more revenue than it would cost to complete them and noted the online reviews that were negative were about the cart paths. Mr. DelVecchio then spoke about his short-term and long-term goals which include finishing the course and making it a product that the customer comes to not only for the great greens, but the entire experience. Mr. DelVecchio then stated the greens are some of the best in the whole state of Arizona, if not the southern part of the state and if the rest of the course, including the carts and cart paths, took on that appearance, there would be people playing who would be coming back to play. Mr. DelVecchio stated his other goal is to address the range, adding he has seen the range revenue go down in the budget year after year for the past 3 years. Mr. DelVecchio stated the range is now dirt, but originally was grass, adding he will have to close it until it dries up, but he has some ideas he is going to try on it. Mr. DelVecchio then spoke about the restaurant at the golf course, and the difficulty in being short-staffed to begin with and trying to provide the best customer service while scheduling furlough days. Mr. DelVecchio stated the restaurant is fairly crowded almost every day and they serve great food, but not having a dishwasher and being short-staffed is taking its toll. Mr. DelVecchio stated he is going to cross train an outside server, who normally handles the beverage cart, to come in and help out with serving. Mr. DelVecchio then said the golf course actually broke even, but the restaurant is still suffering in the red and he believes the restaurant isn't open long enough to recoup the needed revenue, noting the restaurant will be open on Friday and Saturday for dinner starting February 13. Mr. DelVecchio then reiterated how it has been tough to be short-staffed, because it gets so busy that on any given day, they need every employee they have and there are not enough employees and hours to maintain the course the way it should be maintained. Mr. DelVecchio then stated he is developing a divots program to help clean out areas on the course that have been overgrown, adding he is trying to get the course looking as good as it can, but noted the major issue with the golf course is the cart paths. Mr. DelVecchio stated the cart paths either need to be taken out with seed put in their place and the exit cart paths being from the tees with everyone being on the greens or cart paths can be put in eventually. Mr. DelVecchio stated this would also save wear and tear on the 1-year old carts, adding he hopes when the 5-year lease is up, the carts haven't been pushed to the breaking point because the paths are pretty bad. Public Works Director Brad Hamilton asked how wide the average cart path is with Mr.

DelVecchio stating asphalt paths are usually 5' and concrete are usually 6'. Mr. DelVecchio then stated a new company in Florida is now into cart paths and they make paths from about 60% recycled tire and asphalt with an 80% flow through rate, that handles erosion well, leaves no puddling and is easy to install, adding he is supposed to hear from them on pricing. Councilmember Boyle asked if the City had a big pile of millings with Mr. Hamilton stating he had millings from the State and had a lot delivered to the golf course to use for building a base for the paths, but he would need to look into that. Mr. DelVecchio then stated the golf course hours of operation are different than they were, adding March and April will bring better numbers to use for preparing the budget.

City Manager William Stephens then stated Judge Bruce Staggs asked for a few minutes to address the Council. Judge Staggs spoke about what the justice system did for the City of Benson, stating the Court addressed 784 cases with 603 being traffic related and 181 being criminal related. Judge Staggs then spoke about imposing fines and how they are paid or not paid and the resulting additional fines that continue to be incurred due to non-payment. Judge Staggs then spoke about sentencing people to jail for not paying their fines, which takes \$50.00 off their fines for each day they spend in jail, but noted the cost to have someone jailed is over \$200.00 for the first day and is \$65.00 for each additional day. Judge Staggs then stated he heard that the County was going to start assessing those fees to cities, adding some cities have not been paying their fair share and it will really affect them. Judge Staggs then stated he would prefer to keep people out of jail because not only is it not a good place for them, but it doesn't make sense to give the person a \$50.00 a day credit when it costs more than that to house them in jail. Judge Staggs then stated if a person is brought in at 4:55 p.m., he will still see them instead of just automatically transferring them to Bisbee. Judge Staggs then stated he will do what he can to help with jail costs and he and his staff are willing to put in the extra effort to bring back community service and community restitution, adding this would help both the County and the City resulting in a win/win situation for everyone. Vice Mayor McGoffin asked about insurance and limits or constraints on the type of work these people can do with Judge Staggs stating if the person has a physical limitation, that needs to be recognized, but otherwise, they can pick up trash, dig holes or do whatever the City needs people to do. Judge Staggs then stated he has had 3 people come and ask him to put them in jail, because they don't have a job and can't pay their fines, adding these are good people that just can't afford to pay their fines and he hates to send them to jail. Discussion on community service continued with Judge Staggs stating he and City Manager William Stephens have been working on a form to use and Mr. Stephen stating they will continue to work on implementing the program. Councilmember Cook asked what the City paid ADOT crews per hour with Mr. Hamilton stating they each received \$.50 per hour. Judge Staggs then stated the people he referred for community service would receive a credit on their fines at the rate of \$8.00 per hour and it wouldn't cost the City anything. Councilmember Konrad asked who would supervise these people with Mr. Stephens stating it would depend on where they were assigned, noting the supervision isn't as strict as the requirement for ADOT crews. Councilmember Lambert then asked about cases that had to be thrown out due to officers not showing up with Judge Staggs stating of the last 7 traffic cases, he had to dismiss 4. Chief of Police Paul Moncada asked Judge Staggs to let him know who the officers were with Judge Staggs stating he could continue the case if the officer can show good cause for not being able to attend the hearing, adding he would notify Chief Moncada on a weekly basis.

Public Works Director Brad Hamilton stated he would go over the highlights and then address problems and things he was concerned about. Mr. Hamilton stated he has been working on an RFQ for engineering consultants, adding he held a meeting about the RFQ and he expected about 5 or 6 engineering firms to show up, but there were over 30 people who attended, noting there is a lot of interest in the El Dorado project from Tucson, Phoenix and even southern New Mexico. Mr. Hamilton then stated the City will start to see some plan review fees, but the bigger benefit will be construction sales tax collections once construction on the infrastructure starts. Mr. Hamilton then gave an update on the federal projects, including the soon-to-be installed bathrooms at Lions Park and the helicopter pad at the airport, noting the last time these were done, the City was given an exclusion on the environmental requirements, but this time, the federal government is being more strict, which increases the scope of work quite a bit. Mr. Hamilton then spoke about utilities, stating at the last Council meeting, utility rates were discussed, adding the gas rate was last adjusted in 1995, water and wastewater rates were adjusted in 2006 and sanitation rates were adjusted in 2003. Councilmember Lambert asked about Mr. Hamilton, as an engineer, completing a rate study with Mr. Hamilton stating he and the Finance Director Megan Moreno have discussed her

working part-time after her replacement is on board to complete these studies, adding their thought is to complete as much of the study as possible in an excel format to be used and updated as needed. Councilmember Lambert asked if the study could be done quickly enough for the Council to use in the upcoming budget year with Mr. Hamilton stating it would depend on how fast the new Finance Director comes up to speed. Councilmember Konrad asked if the new rates had to be approved by the Arizona Corporation Commission (ACC) with Mr. Hamilton stating because the Council was an elected board overseeing the utilities, the rates didn't have to go through the ACC.

Mr. Hamilton then spoke about the Transit Department, adding he lost his engineering aide, who was handling the operations side of Transit, noting the Finance Department handles the grant side. Mr. Hamilton stated operations are running ok, but he wouldn't say it was running well. Mr. Hamilton then stated Bisbee is looking at an RFP to have a private transit system, adding the system would still belong to Bisbee and they would still administer the grant but the day-to-day operations would be handled by a contractor, which may have some cost savings and benefits. Mr. Hamilton then stated he did get a copy of their RFP he can possibly use to do the same thing, adding he will be watching to see what happens.

Mr. Hamilton then spoke about IT services stating the server went down just as it was being replaced, but luckily Executech was able to extract most of the data, noting the Finance Department did have to go back and enter some information. Mr. Hamilton then stated the City's computer equipment is old, adding the Public Works' and City Clerk's laptops are over 8 years old and other computers are even older. Mr. Hamilton then stated the new server at City Hall has problems, adding Executech was surprised it was up and running with 2 drivers being burned out. City Manager William Stephens noted the server literally died the day Executech was trying to transfer the data, noting the City was close to a catastrophic failure. Mr. Hamilton then stated Executech ran into the same thing with the server at the Police Department, adding instead of the server being replaced, more storage was added to it, and after Executech looked at it, the recommendation was to replace it. Mr. Hamilton then stated he looked up the existing server and found it was selling for \$300.00, which is a good indicator of how old and outdated it is. Mr. Hamilton then stated the server needs to be changed and the City needs to look into upgrading the phone system, adding the phones the system uses now, can't even be purchased anymore.

Mr. Hamilton then spoke about the Building Department, stating Fire Chief Keith Spangler spoke about the City's ISO rating and noted there are 3 parts to the rating: Fire protection, the water system and how it's rated, adding the City has rated well in the past, but he is afraid the rating will drop due to not having the personnel to keep up with the requirements for flow testing, exercise and maintenance and the third component is building codes. Mr. Hamilton stated the City Council needs to adopt newer codes or the City's ISO rating will go from a 5 to a 9, adding this is critical. Mr. Hamilton stated the City got a little more time to address the Building Codes after the former Building Official, Luis Garcia, left, but it needs to be done soon, noting the rate change would hit citizens hard and would hit commercial buildings hard.

Mr. Hamilton then spoke about the City's vehicle fleet, stating the last time any vehicle was replaced was in 2007. Mr. Hamilton then stated he has trucks from 1973, which are 42 years old, adding he did recently get permission to purchase 2 dump trucks from the County and even though they are 16 and 19 years old, they are considered new to the City. Mr. Hamilton then stated other trucks are just getting worn out, adding a master cylinder recently went out and to replace it, he located the part on antiquetruckparts.com, adding there is a lot of maintenance on the old trucks and there is always a problem locating parts. Mr. Hamilton then spoke about the rest of the fleet, stating he will keep the medium duty truck because it doesn't require a CDL driver and probably gets the most use; there is a 1982 Ford truck that needs new tires, but since those tires are no longer manufactured, rims will have to be purchased with new tires and to do so will cost \$5,000-\$6,000. Mr. Hamilton then stated he is looking for a good deal on a medium duty that would be 15 or 20 years newer, noting the City used to get some vehicles from the State auction, which were well-serviced and maintained, but now the State has the same budget situation and instead of auctioning vehicles with 100,000 miles on them, they keep their vehicles until they have 250,000 miles and those vehicles aren't really an option for the City anymore. Mr. Hamilton then stated the City's utility emergency response vehicle is almost 10 years old and is nearing 200,000 miles.

Mr. Hamilton then spoke about utility rates compared to other entities, stating the City's gas availability

charge is \$7.50 and gas is \$.74 a unit compared to Southwest Gas' availability charge of \$10.70 and gas being \$1.32 a unit; adding the City's unit charges are based on the cost plus \$.30 and the gas fund is going into the red. Mr. Hamilton then stated the City's wastewater availability charge is \$11.60 and the average bill is \$26.00 compared to Pima County's availability charge of \$12.63 and the average bill of \$48.00, adding Pima County is currently presenting another rate increase.

Mr. Hamilton the spoke about Public Works personnel, stating personnel is his biggest worry right now, adding he has watched quite a few people leave since furloughs started and many employees come in and show him advertisements for the same job they have that pay a lot more. Mr. Hamilton then stated he reviewed the information, adding the City's last salary survey was done in 2005 and he looked at the changes in the Consumer Price Index (CPI) since 2005, noting there has been an increase of 21%, compared to the 5.5% Cost of Living Adjustment (COLA) given to employees. Mr. Hamilton then stated now with the 10% reduction in pay due to furloughs, employees are actually making 25% less than they should be. Mr. Hamilton stated this doesn't include the higher rates for medical insurance or the higher retirement rates in place. Mr. Hamilton then stated in the 2007-2008 fiscal year, the Public Works Department, including Parks, had 30 positions and now, in 2015 there are 13.25 positions filled. Mr. Hamilton stated 1 employee works 10 hours a week and there are 13 full-time employees, which is a 45% decrease in personnel and is why it takes longer to get things done. Mr. Hamilton stated the Gas Department used to have 4 employees and now has 1, adding he is trying to recruit internally for a supervisor, but if he hires someone from another department, that creates another vacancy. Mr. Hamilton then stated 2 employees in the Gas Department, 2 employees in the Water Department and 3 employees in the Wastewater Department would still be considered very thin and the days of the City not getting written up for not having enough personnel are going to be over. Mr. Hamilton stated when he started at the City, there were 3 people trained to do blue staking and now there is only 1 employee left to do that, adding if blue stakes don't get done, the City can face fines and possible prosecution. Councilmember Konrad expressed his concerns and stated the City lost a really good building official; now there is a major building project on the horizon and asked if at some point, the City would have an in-house Building Official who is capable of doing the job to serve the needs of the investor coming to Benson. Mr. Hamilton stated the project has to go through the Planning & Zoning and engineering parts before starting construction on the infrastructure and vertical infrastructure. Mr. Hamilton then stated the City currently uses Brown & Associates and as soon as the cost to use them is what it would cost to hire a Building Official, he would start the recruiting process, adding he would be happy to have a mix of employees and consultants, so the City wouldn't have to hire and then possibly have to lay-off employees later.

Mr. Hamilton then spoke about the airport, stating a UAV landing has been constructed using grass runways and is now ready to use. Mr. Hamilton stated he also met with a company based in Tucson about launching high altitude balloons from the airport, adding they launched a Google executive tied to one and he went up to 135,000' and then had a freefall back to earth. Mr. Hamilton stated the company is looking at instrumentation and human flights, adding they are trying to build a capsule to take people up to the stratosphere and then bring them back with a parachute and will be charging somewhere around \$5,000 a ticket. Mr. Hamilton stated he is also working on a fee schedule for UAVs, adding he has been working with SAEDG (Southeast Arizona Economic Development Group) and the SVED (Sierra Vista Economic Development Foundation), noting there are several companies interested in using the airport, especially in using the grass runways.

Council then discussed revenues and expenses with Councilmember Cook asking what percentage is being charged to the clubs and leagues for using the field lights with Mr. Hamilton stating they are being charged 65% of the City's cost. Recreation Coordinator Laura Parkin stated the City's cost will be increasing 11% and noted the City also lines the fields. Councilmember Lambert asked about the \$50.00 cost for oil changes on vehicles and if it might be beneficial to buy oil in bulk and hire a part-time person for maintenance. Chief of Police Paul Moncada stated he has been looking at changing providers that will save the City considerable money, but getting vehicles to and from the location is a concern. Chief Moncada then stated he is also looking at someone who would perform oil changes for \$20.00 if the City provides the oil and filter, but another concern is the storage and accessing it when it's needed. Chief Moncada then stated he has been looking at ways to save money and now has oil changes done every 5,000 miles instead of every 3,000 miles. Councilmember Lambert stated the City could look at hiring a part-time employee to

work 4 hours a day at \$10.00 per hour and if he could complete 4 oil changes a day, the cost would only be \$10.00 per car and the City could get the oil at bulk rate, adding everything the City can save adds up. Mr. Hamilton then stated the City used to do that, but the safety inspector didn't like the oil storage, so he went back to buying cases of quarts. Mr. Hamilton then stated if down the road, the City could have something constructed to hold the oil, it may be an option, but the shop is being used for everything that needs to be done and for storage, adding there wouldn't be a dedicated space to perform that specific vehicle maintenance.

4. **Presentation on the financial status and budgetary situation of the City; discussion to include all expenditures, revenues and revenue sources**

Finance Director Megan Moreno addressed the Council regarding City finances, stating the common theme from all departments is not good news, adding all Department Heads have cut significant amounts from their budgets and the last budget cycle was very difficult. Ms. Moreno stated she didn't like telling the Fire Chief that he couldn't have money for fire prevention education and materials for children, adding there are a lot of programs and services the City can offer, but had to be put on hold due to the financial situation. Ms. Moreno then stated this year has been a really big sacrifice for all employees. Ms. Moreno then stated the Council has heard the need for utility rate increases, noting the City's utility rates are lower than the average utility rates in the area. Ms. Moreno stated she and Public Works Director Brad Hamilton looked at a WIFA survey for water rates and the City could actually increase water rates by 89%, be financially sound, still be affordable according to household incomes for this area and still be in the median price charged for water utilities in the state of Arizona, which gives the Council an idea of how affordable the City's utilities are, but noted affordable does not mean fiscally responsible. Ms. Moreno then stated it is important to get a rate study done and adjust utility rates. Councilmember Lambert asked if there was any utility contingency funds set aside with Ms. Moreno stating the City should have 20% of each of the annual utility operating expenses in separate contingency funds, but doesn't, adding any utility repairs were paid for using bond funds. Ms. Moreno then stated when the rate studies are done, the studies will include the 20% contingency fund for each utility, including sanitation because even though there is no sanitation costs, funds are needed for street repair, adding the sanitation trucks have leaked oil in the past and alleys need to be regraded. Mr. Hamilton then stated the American Water Works Association rate setting policy addresses different types of contingency funds, not only for repair and maintenance, but also for debt service for larger utility projects. Ms. Moreno then spoke about the City's unrestricted cash balance, stating in 2008, the City had \$2.7 million, but depleted it year after year, adding she reported the City's unrestricted cash balance was \$899,000 in December of 2014. Ms. Moreno then stated to make matters even more grim, the Governor is sweeping state shared revenues, noting the City seeks consistent increases in state shared sales tax and state shared revenues and relies on those in addition to the City sales tax, adding these are large sources of revenue for the General Fund. Ms. Moreno stated she hasn't seen the estimates of the sweeps and how it will affect the City specifically, but she knows the reduction is coming. Ms. Moreno then stated HURF money, which is normally used to pave and maintain City streets, has not been restored and without those funds, the City will have to pull money from somewhere else for street maintenance. Ms. Moreno then spoke about House Bill 2254, which is proposing a residential rental tpt tax exemption, adding the bill as it stands, would reduce the tax rate by 25% each year over the next 4 years and would significantly affect the City's tpt collections. Ms. Moreno stated the bill would result in an estimated \$87 million hit to all cities in the state and that estimate is climbing, adding the League sent out a spreadsheet asking for information to get a better idea of how much this would hurt cities and will then take that information to the legislature. Ms. Moreno then stated on top of that, the City used to collect \$100,000-\$150,000 in rental tax, but now is only collecting about \$20,000, which shows how many people in the City are not paying the rental tax that should be paying it. Ms. Moreno stated the City doesn't have the resources or the authority to audit, adding the State is upping collection and audit procedures, but she doesn't think Benson will be very high on their priority lists for audits. Ms. Moreno then stated she thinks the City can educate the community, adding the optimist in her thinks people don't pay because they don't know they are required to pay the tax. Ms. Moreno stated she contacted the newspaper to see if they would run an article to make people aware and stated the Council could also vote on a notice of tax waiver to actually allow a brief period of time for people to come forward and apply for tax license and to start paying the rental tax without the weight of prior taxes and penalties hanging over them, adding those would be waived. Councilmember Boyle asked what the process was to pay rental tax with Ms. Moreno stating

people need to apply for a license with the Arizona Department of Revenue (DOR) and apply for a State tax id number and then pay the tax using the state tax form. Ms. Moreno then stated before January 1, if a person hired a property management company to manage their rentals, the company could collect the tax and remit it for all the properties they manage, which makes it hard to audit, but beginning January 1, each separate property has to have its own license and property managers can no longer file lump sums, adding if the company is going to file for the property, they must have a power of attorney and individually file for every location, which makes auditing easier. Ms. Moreno stated her guess would be that the property company won't offer the tax administration. Councilmember Konrad stated the State legislature has looked at this in the past and asked how much time and effort the City would put in to try and collect 25% less each year for the next 4 years and at what point in time would the City benefit from it. Ms. Moreno stated she is hoping the bill won't go through, but if it does, she wouldn't recommend pursuing the collection; it would just go away. Councilmember Cook asked why the Council would waive taxes if the tax was going to be eliminated with Ms. Moreno stating she didn't realize the State legislature was considering eliminating the tax altogether until last week. Ms. Moreno then stated she would continue to monitor the bill and see what happens in the process. City Manager William Stephens then stated every City and City Council can engage their state elected official and protest House Bill 2254, should they not want to see the bill passed. Councilmember Cook noted the State would be in the best position to audit because when someone owns a rental and files a state return, most people declare the income, adding the State has the information and the means to enforce the collection. Mr. Stephens then stated this is what should be happening, but it isn't, adding the City could be collecting \$150,000 each year, but last year only collected \$20,000, which means there are a number of people who are not reporting and paying this tax. Mr. Stephens then stated current law allows the City to place a lien on rental property if the owner is not paying tpt rental tax. Mr. Stephens then stated he has had some phone calls from people claiming they didn't know about the tax and from people who have been told others are blatantly ignoring the tax. Mr. Stephens then stated the first step would be to educate everyone and let them know about the tax and then go from there, adding people will be looking at their past taxes and that may keep them from coming forward which is why Staff wanted to let the Council know about the option to waive past taxes and interest, but noted there will still be people who won't pay. Councilmember Konrad the best case would be to start soon and begin collecting what can be collected and the worst case would be if the bill passes, the City will have a diminishing return each year for the next 4 years. Mr. Stephens agreed and stated there would probably not be a lot of effort in trying to collect this tax if the bill passes. Councilmember Lambert stated he went in person to the DOR in Phoenix twice during his last term to tell them Benson needed to have audits performed because taxes weren't being paid and DOR staff will tell you they will be sending someone out, but it never happens and they always have an excuse. Ms. Moreno stated she has also requested audits, adding she attended a training session at the DOR and was told to get requests for audits submitted and they would be done, but when she told them she had already submitted requests, they told her the requests are done on a first submitted, first served basis. Ms. Moreno then stated she thinks they may prioritize higher value audits, noting Benson would never be as high as larger municipalities, but the DOR wouldn't comment on that. Ms. Moreno then stated the city of St. Johns put an ad in the paper to educate and encourage compliance; then their Council approved a policy to waive past taxes in a certain time period and let the DOR know the time period the Council chose for people to apply for a license and tax id number and start paying taxes. Ms. Moreno then stated if this is something the Council would like to have happen in Benson, the Council would have to formally approve the policy at a Council meeting. Ms. Moreno then stated she performed an analysis with the information from the Cochise College Economic Outlook publication, adding the rental tax in the City should be \$100,000-\$150,000 each year. Councilmember Cook stated the public recognized Mr. Lotsof trying to get a complete exemption to building codes and the Council got a beating for trying to do the right thing, adding whoever puts this on the agenda will take the same beating. Ms. Moreno then stated she really didn't want to waive any back taxes, but the City needs to start collecting these taxes and knowing the limitations the City has, sometimes, we just have to move forward and encourage compliance moving forward, adding it also shows the City is trying to work with people, noting some people really are unaware of this tax. Councilmember Lambert stated he looked at this with the former Finance Director who could estimate taxes and there was one property that owed about \$150,000, adding the taxes and interest add up very quickly. Mr. Stephens stated the alternative is placing a lien on the property, adding some citizens have been cheating the City for years and won't pay their rental tax until they are forced to pay it. Councilmember Lambert stated when the Council tried to pass Appendices IV, everyone was in opposition, but it would have given the City the ability to hire outside

auditors to perform audits instead of waiting for the DOR. Ms. Moreno stated the Council could still pass Appendices IV, but noted a multi-jurisdictional audit would still have to be done at the state level or by a state-certified auditor. Councilmember Boyle stated the Council could possibly compromise and instead of waiving all past taxes, they could decide to still collect taxes owed for the past 5 years, and then waive any taxes that were due more than 5 years ago with Ms. Moreno stating the decision would be up to the Council. Ms. Moreno then stated the Council could not only forgive back taxes, but could also forgive penalties, adding she wanted the Council to think about this and if they wanted more information, to let her know, noting she will work on this matter if Council decides to pursue it. Ms. Moreno then stated she would rather have her department track down everyone who owes these taxes and can do that if the Council prefers, but noted it would require a lot of Staff time, which they don't really have. Councilmember Konrad asked how big of a job this would be with Ms. Moreno stating it would take 1 full-time employee and if this were all they were assigned to do, they could probably spend a year on it.

Ms. Moreno then stated furloughs this year have saved the City \$119,000, but noted the City has lost 10% of its employees since the furloughs were implemented and that only includes the first half of the year. Councilmember Lambert asked if that was directly due to furloughs with Ms. Moreno stating 9 of the 10 employees who left could be directly contributed to furloughs. Mr. Hamilton then stated the City used to offer tuition reimbursement, but quit that in 2010 also, noting the benefits seem to be less each year. Councilmember Lambert stated 8 months ago, a Police Sergeant came to the Council and said there were 3 officers leaving because of the furloughs and asked if they left with Chief of Police Paul Moncada stating they had not left yet, but 3 or 4 officers were testing at other entities and 1 officer was retiring. Mr. Stephens stated 1 officer is leaving for a better opportunity with Chief Moncada stating he has been talking to that officer. Chief Moncada stated that officer is leaving as a direct result of furloughs, adding the officer didn't want to go to the agency he is going to. Councilmember Lambert stated it takes a year of training to be able to have an officer on the streets, noting that is a lot longer than other departments with Mr. Hamilton stating for a public works employee to be Operator Qualified and able to be on-call takes a year also. Councilmember Boyle asked about the ability to hire lateral officers with Chief Moncada stating there is usually a reason an officer is leaving a jurisdiction. Mr. Stephens then stated in addition to having furloughs, the City is fairly low-paying and most laterals are not looking at Benson. Councilmember Konrad stated Benson is basically providing the training to upgrade other police departments and this is what the City is up against. Chief Moncada agreed, stating it's hard for an officer to graduate from the academy and start furloughs, adding the City offers a starting pay rate, but the actual pay rate is lower due to furloughs. Chief Moncada then stated another issue that needs to be looked at is the Police Department is going to start advertising officer positions very soon and every advertisement process costs the City about \$400-\$600. Chief Moncada then stated the last time an officer was hired, it took 5 advertising cycles before he was able to find someone to hire and make it through the process, which cost about \$3,000 and doesn't count all the other testing that has to be done, such as a polygraph and medical and drug testing, just to get them into the academy. Chief Moncada stated the officer then attends the academy for 18 weeks, followed by 12 weeks of field training. Ms. Moreno stated it's been very difficult with furloughs, adding she thinks she can speak for most departments when she says scheduling furlough days has been very difficult, especially in Public Works, the Police Department and the Golf Course. Ms. Moreno then stated employee morale is down and there is talk about more people leaving. Councilmember Boyle asked what level of staffing the City would need to get to by cutting Staff in order to eliminate furloughs with Mr. Stephens stating Councilmember Boyle was talking about layoffs, adding there is also going to be a corresponding service that would be cut, such as shutting down the Library or the Recreation Department. Councilmember Boyle then stated he was looking for the information to use as an educational tool to show if the Council cut more, what would have to happen. Councilmember Lambert stated the Police Department might have to go down to having only 1 officer on duty at a time and people would have to wait for responses. Mr. Stephens then stated every department has had problems with furloughs. Ms. Moreno stated there is always talk the City is overstaffed, but the Council could look around and see a 1-person department, a 2-person department, the City is running 4 utilities with 7 people and when you compare that to SSVEC, anyone can see the City is stretched thin and is not overstaffed. Ms. Moreno then stated when Councilmembers suggest laying people off, Staff can't see how it can be done. Councilmember Lambert stated if the Deputy Clerk was laid off, the City Clerk would have to do everything for both positions and if you lay off the City Clerk, the City Manager would have to do his job as well as those of the City Clerk. Councilmember Lambert then stated when people talk about no one

being in Mr. Hamilton's office, it's because there is only 1 other employee in that office besides Mr. Hamilton. Ms. Moreno then stated she is saying that the City is now at a point, and she hopes the Council sees it, that if additional Staff is cut or if furloughs have to continue, more employees will leave. Ms. Moreno then stated this will result in a direct cut in services, adding hard decisions will have to be made about what the City will and will not offer, noting the Library has already reduced evening hours and eliminated being open on Saturdays and there was no fire prevention education for children. Ms. Moreno then stated there are things the City wants to offer, but now even harder decisions have to be made, which is why she is coming to the Council with a very unpopular request, adding she strongly believes the City sales tax rate needs to be increased. Ms. Moreno then stated the City of Bisbee just raised their sales tax by 1% and her argument is only strengthened by the action of the State sweeping funds from cities. Ms. Moreno then stated taxes aren't being increased at the State level, but the State is taking tax revenue away from cities and forcing the cities to do something. Ms. Moreno then stated a sales tax increase of 1% will result in a revenue increase of \$1,040,000 and would be spread across a larger base of taxpayers instead of increasing taxes only on citizens with a property tax increase. Ms. Moreno stated the increase would be spread across the region and would be paid for by everyone who comes to shop in Benson, adding Benson is a shopping hub for the region and would then have less of an impact on residents. Ms. Moreno then stated the Council also needs to realize that in 2018, the temporary tax increase of .5% will sunset, adding this tax was implemented in 1998 and was to be for a period of 20 years with the revenue being used to pay for the wastewater treatment plant. Ms. Moreno then stated the City refinanced that debt because the loan required the City to find another financing mechanism as soon as possible. Ms. Moreno then stated the refinancing extended the debt until 2030 instead of 2018, adding the City still need to make a debt service payment until 2030 and the revenue for the payment will have ceased in 2018. Ms. Moreno then stated a 1% tax increase will generate \$1 million, but in 2018, tax collections will decrease by .5%, which is approximately \$520,000, then stated the City will have the next couple years to build the reserves back up, eliminate furloughs to continue services and would be able to afford replacing a dump truck instead of having to buy antique parts. Ms. Moreno then stated the Council could also look at diverting the property tax of about \$230,000, which is money generated from this community by property owners, and possibly put it to capital infrastructure, like parks and recreation to show a tangible asset paid for by property taxes instead of using that money for operational expenses. Ms. Moreno then stated property owners may be willing to support a sales tax increase if they know their property taxes are being used to create new fields or something at the park, because they would be seeing an actual benefit from their property taxes, adding new ball fields could even be used for tournaments and create more revenue. Ms. Moreno then stated new development is happening, but the City won't see homes being built until 2017, which means no property taxes increasing from new residents, no bigger tax base for state shared revenue or additional sales taxes from new residents. Ms. Moreno then stated at the new development, there will also be a lot of new amenities that will not be in the existing Benson area, noting this could be an opportunity to develop amenities in the downtown Benson area. Ms. Moreno then stated the sales tax increase is her plan and she hopes the Council will approve it.

Mr. Stephens stated the City also needs to address utility rates with Ms. Moreno agreeing. Councilmember Boyle asked about eliminating the furloughs and just keeping the existing staff level with Ms. Moreno stating the goal would be to regain the staffing level and fill vacancies in the Police Department. Mr. Stephens stated he could have brought the staffing level back up and fill authorized positions, but he hasn't due to the budget, adding he put a freeze on hiring and spending and cut services. Mr. Stephens then stated the increased sales tax would allow hiring staff to fill those positions and bring services back, adding the staffing level could then be reevaluated at that time, but it would be at least a year before that evaluation could be made. Ms. Moreno stated she would strongly encourage the continuation of a very conservative spending practice because the point of the increase is to build up the City's cash reserve. Ms. Moreno then stated the City has always been conservative in spending, which is why the City was able to get through the recession. Mr. Stephens then stated every year for the next 4 years, the City has a \$250,000 payment to make in addition to the \$400,000 bond payment that will continue until 2030, noting those 2 payments alone are more than \$600,000 each year and the City's unrestricted cash is already down to \$899,000.

Councilmember Konrad said he wanted to make a statement and said if anyone, whether on Council or in the public, think employees are overpaid, they should participate in a wage study at some point because that is certainly not the case. Councilmember Konrad stated he could say that with 100% certainty, noting he

has been involved with wage studies and he knows what labor pays in other areas and other sectors. Councilmember Konrad then stated the other thing Council needs to keep in mind is where the money in the reserve went, adding it didn't just evaporate. Councilmember Konrad stated the City needs to build the cash reserves back up, but should never let it get that low again. Councilmember Konrad then stated anyone who has tried to blame City staff for the problems the City has and not ask the Council how they let \$1.8 million go has their head in the sand.

Councilmember Lambert stated 4 years ago, the previous Council tried to raise bed tax to 4%, adding right now, Benson is one of the lowest in the state at 2%, noting 4% would still be around the bottom of the range and would be nowhere near the middle. Councilmember Lambert then stated bed tax money helps fund tourism and billboards, adding if people don't come to Benson, the City doesn't make money. Mr. Stephens then stated he wanted to make sure Staff understood that his comments about closing the Library and the Recreation Department were simply examples of cutting services and he was not considering doing so.

Mr. Stephens then stated there are steps that could be taken before totally eliminating the Library and the Recreation Department, such as charging to use softball field lights and materials and eliminating league use, but again, wanted to stress he was only using those departments as examples. Mr. Stephens then stated he was saying that the City is in a crucial position and is ready to teeter, adding something needs to be done.

Councilmember Cook stated he agreed with the utility rate increases to build contingencies in those funds, adding he sees the wisdom in that and he agrees with increasing sales tax and bed tax, noting the additional burden would be placed on people outside the City. Councilmember Cook then stated the Police Department furlough days are not as many as every other department is taking, adding the officers are also using Stone Garden grant funding to make up the loss in compensation. Chief of Police Paul Moncada stated officers can work extra to make the difference up, but noted they are working harder to make the same money, adding the loss of overtime pay still results in officers losing income. Mr. Stephens noted some officers don't work under the Stone Garden grant with Chief Moncada adding the dispatchers also can't utilize Stone Garden grant funding. Councilmember Cook expressed his thoughts that the officers could still use Stone Garden funding to eliminate the impact of furlough days with Chief Moncada stating any way it's looked at, the officers are still seeing a reduction of income, noting officers can't work overtime in the same week they are scheduled to have a furlough day. Councilmember Cook stated the Police Department has turnover anyway, adding 2 officers were leaving before the furloughs were even considered. Chief Moncada stated the Police Department does lose officers for better opportunities, adding it's hard to retain officers, when the City offers low pay and very little in the way of upward mobility, adding furloughs make it even harder to retain officers.

Councilmember Cook then stated this is his 3rd Council retreat and start of the budget process, adding the Council listens to the Department Heads telling what the City's needs were and Council approved those expenses. Councilmember Cook then stated everyone went hand in hand on the \$1.8 million reduction of the City's unrestricted cash, adding that is what he saw and stated he was part of it last year also.

Mr. Stephens stated there is no going back with Councilmember Boyle stating it wasn't like the Council took the money and went to Vegas. Mr. Stephens agreed, stating the bottom line is the past can't be changed and the Council needs to look at where the City is and move forward in a progressive way that secures the City. Mr. Stephens then stated as the City moves forward and the new development happens, things will begin to progressively get better. Mr. Stephens then stated the Council would get some pushback and some disgruntled people, adding there are a lot of people who don't want to pay more than what they currently pay and a lot of people would like to see the government just go away, but the City provides services and needs to be fiscally responsible and secure. Mr. Hamilton then stated no one would have predicted in October 2010 that the recession would last more than a year or two, much less 6 or 7 years, adding each year, the City kept surviving for one more year and then just one more year after that, which is why the City is where it is now. Vice Mayor McGoffin agreed stating hindsight is always 20/20. Judge Staggs stated the situation seemed easy to explain to the public with Councilmember Boyle stating the newspaper reporter should have been at this meeting.

Mayor King stated the Council has a lot of decisions to make, adding over the past few years, the Council made decisions for the citizens of Benson and gave them what they wanted, but now it was time to look at the City and its employees. Mayor King then stated the City has lost employees and he doesn't see how the City can still be run in the current situation, adding the Council will have to make some tough decisions and if it comes down to raising taxes, then the Council will have to make the decision to raise taxes and if it comes down to raising utility rates, the Council will have to make the decision to raise utility rates. Mayor King then stated citizens are not going to want taxes increased, but to see the City survive, the Council will do what has to be done. Mayor King stated the Council has a job to do and stated they need to do what is right in order to move the City forward. Mayor King then stated the Council doesn't want to lose any more employees and the Council needs to advocates for them, adding it's time for the Council to take this forward and get the City back to where it needs to be.

Mr. Stephens then stated the increase is not punishing the citizens, adding the return on the investment is getting a library that is back to being open full-time, use of ballfields, leagues continuing to operate with lights and street potholes being fixed. Mr. Stephens then stated the City has a sewer line running down Ocotillo that is deteriorating, noting it's amazing the line hasn't collapsed yet, and again stated the citizens are going to benefit from this, even though initially they may struggle with it. Councilmember Boyle stated citizens and City employees are not like 2 separate entities, adding they are in the same boat and that boat has been going down the rapids. Councilmember Boyle then stated the City needs to do something to educate the citizens of Benson on the situation and include how the cash reserves were used so the facts will be presented to combat people saying the City just wasted money. Councilmember Boyle stated an educational program shouldn't cost much at all. Ms. Moreno agreed that education is going to be key and stated the City could hold public forums. Councilmember Boyle stated no one attends public forums with Councilmember Lambert stating when people complain, they need to be told there were several meetings on this issue. Councilmember Lambert then asked if a sales tax increase was temporary with Ms. Moreno stating the Council could implement a temporary tax with a sunset clause or could implement a permanent tax rate increase. Councilmember Lambert then asked if a tax rate increase was referable with City Clerk Vicki Vivian stating she would confirm the answer with the City Attorney, but noted she had previously conferred with other attorneys in various municipalities and she was told as long as a tax was already in place, the Council could increase the rate and they didn't think it would be referable. Ms. Vivian then stated any new tax the Council chose to implement would have additional requirements such as public hearings. Councilmember Lambert if the increase was referred, the public would need to understand that if it fails, the City would face further reductions and would need to go down to having only 1 officer on each shift, the Recreation Department would be smaller and there would be no summer programs, etc. Councilmember Lambert then stated the Council couldn't make any decisions today, but they could direct Staff to place the issue on an upcoming agenda. Judge Staggs agreed the education needs to let people know what will be cut if the increase isn't done. Director of Golf Operations Joe DelVecchio stated Tucson has gone through the same thing, adding they lost employees and services, then increased the sales tax rate and added another tax. Mr. DelVecchio then stated there was a negligible difference and he didn't even realize the difference when he was shopping recently. Ms. Vivian then stated there will definitely be people complaining, but the benefits need to be explained and people need to realize 80% of the increase in collections will probably be paid for by people who don't reside in the City.

Mr. Stephens stated one of the benefits will be the elimination of furloughs and the restoration of City operating hours. Ms. Moreno agreed and stated another benefit would be the possible use of property tax for capital improvements, adding the City could conduct a survey asking citizens what they would like to see done in the community and then do projects based on that information. Ms. Moreno stated the City of Mesa did this and then held a bond election for the projects and the bonds passed with tremendous success because there was buy-in from the citizens due to the projects coming directly from them and the bonds were to pay for those projects. Ms. Moreno stated the City only collects about \$230,000; then stated any project built by using these funds shouldn't be something that takes 10 years to build, adding it should be used each year to complete smaller projects and more of them.

Councilmember Cook stated if the Council may get some negative responses if they tried to push a tax rate increase without getting some reasonable financial stability in the Golf Course, but a lot of people don't

understand that 40% of RVers want a Golf Course or they won't continue coming to Benson. Councilmember Cook then stated if the Golf Course is closed down, there will be more sales tax revenue lost for the City and businesses in the community. Mr. DeVecchio stated he briefly talked about making improvements to increase revenue at the Golf Course with Councilmember Cook stating the closer the Golf Course was to breaking even, the closer the Council was to getting buy-in from voters.

Councilmember Lambert asked how soon this issue could be placed on an agenda with Ms. Moreno stating it would have to be 2 Council meetings out, because the deadline for the next Council meeting had already passed.

Mr. Stephens then stated everyone has a perspective on what is important, adding some people don't use the community center, while others don't use the Library, but noted there are a lot of intangibles; stating the Community Center electric bill is about \$19,000 a year and part of the electricity usage is from the Salvation Army, who helps the needy in the community and from CCS, who provides a service for the elderly in the community who need meals. Mr. Stephens then stated there are a lot of benefits that are being provided to the community that a lot of people don't think about, adding that \$19,000 is being spent on more in the community than people realize. Mr. Stephens then stated some people and a lot of winter visitors use the Golf Course, adding the City provides free water, but also get a place to discharge effluent.

Councilmember Lambert then asked if a list could be prepared for the Council to review and then use when they are talking to citizens. Ms. Moreno then stated she realizes this is a tough position and is not a popular decision, but noted the more information that can be given out, the better it will be. Ms. Moreno then asked the Council to let her know what they wanted and stated she would start working on the education material. Ms. Moreno then stated based on what she was hearing from Council today, she was going to tell Department Heads to move forward with their budgets knowing the Council would be moving forward in considering a sales tax increase. Councilmember Lambert stated the Council also needed the utility rate studies done to consider utility rate increases, adding he would like to have those before the Council takes action on the budget. Mr. Stephens then stated one way to look at the situation was that it wasn't a tax increase; it was a quality of life improvement. Mr. Stephens then thanked the Council for their attendance and participation.

ADJOURNMENT:

Councilmember Konrad moved to adjourn at 5:41 p.m. Seconded by Councilmember Boyle. Motion passed 6-0.

Toney D. King, Sr., Mayor

ATTEST:

Vicki L. Vivian, CMC, City Clerk