

**THE REGULAR MEETING
OF THE MAYOR AND CITY COUNCIL OF BENSON, ARIZONA
HELD JANUARY 27, 2020 AT 7:00 P.M.
AT THE BENSON COMMUNITY CENTER, 705 W. UNION STREET, BENSON, ARIZONA**

CALL TO ORDER:

Mayor King opened the meeting at 7:00 p.m. with the Pledge of Allegiance.

Mayor King then offered his congratulations and a shout out to Mr. Alan Gardner, who was recently accepted into the Naval Academy and will be a 5th generation Annapolis graduate.

ROLL CALL:

Present were: Mayor Toney D. King, Sr., Vice Mayor Joe Konrad, Councilmembers: Pat Boyle, Larry Dempster, Lupe Diaz, Nick Maldonado and Barbara Nunn.

EMPLOYEE RECOGNITION: None

PROCLAMATION:

Mayor King invited Mr. Ed Meza and Mr. Adolphus Cobb from the American Legion, Post 45, to come forward; then read a proclamation regarding the Four Chaplains Memorial Ceremony to be held Saturday, February 1, 2020 at 10 a.m. Mayor King then stated he hoped to have a large turnout at the ceremony with the seats full and guests overflowing outside of Veterans Memorial Park. Mayor King presented the proclamation to Mr. Meza and Mr. Cobb and thanked them for their attendance. Mr. Meza explained that the American Legion celebrates the Four Chaplains all over the nation; then announced they would also be holding 3 oratorical programs over the next 3 weekends, each Saturday at 10 a.m., with the first program immediately following the February 1, 2020 ceremony. Mr. Meza stated the first program is planned for the City, the second program is for the district, which covers Cochise County, and the third program is for southern Arizona, adding the winner will go on to compete at the state level. Mr. Meza then stated Mr. Alan Gardner can tell us how it goes since he was a past winner, going all the way to state. Mr. Meza thanked everyone for their time, and stated he was looking forward to seeing everyone on February 1, adding there would be coffee and donuts in the shape of life jackets in honor of the Four Chaplains who selflessly gave their lives to help others during the sinking of the U.S.A.T. Dorchester.

CITY MANAGER REPORT:

City Manager Vicki Vivian addressed Council, giving the dates of upcoming meetings and events.

- Monday, February 3, 2020 – Planning & Zoning Meeting, 7:00 p.m., Community Center
- Monday, February 10, 2020 – City Council Meeting, 7:00 p.m., Community Center

- Thursday, January 30, 2020 – Library, Adult Speaking Session Speaker Diane Winter
10:30 a.m., City Library
“Whole Food Plant-Based Diet”
Learn about a plant-based diet and choose to eat healthier which will improve your health.

- Thursday, February 13, 2020 – Library Guest Speaker Bob Nilson
10:30 a.m., City Library
“Old Apache Dynamite Factory Tour”
Come with us on a virtual tour of the Apache Dynamite Factory, before it was torn down.

- Monday, February 17, 2020 – Presidents’ Day, City Offices Closed
- Thursday, February 20, 2020 – Library Guest Speaker Cosmo Baraona
10:30 a.m., City Library
“Space Station Power System”
See photos of the assembly sequence, power module, and the people who helped to engineer the space station.
- Thursday, February 27, 2020 – Library Guest Speaker Eric Kaldahl
10:30 a.m., City Library
“Indigenous Arts and Communities”
Our region is home to many different indigenous communities. Learn about the arts and crafts produced by Native artists of the Southwest US and northern Mexico.

Mayor King encouraged anyone who has time to attend some of these speakers at the library, noting he has had the privilege of attending some and they are amazing, adding people can learn a lot as well.

NEW BUSINESS:

1. **Discussion and possible action on the Consent Agenda**

- 1a. Minutes of the May 28, 2019 Regular Meeting
- 1b. Minutes of the October 29, 2019 Worksession
- 1c. Invoices processed for the period from January 1, 2020 through January 15, 2020

Vice Mayor Konrad moved to approve the Consent Agenda. Seconded by Councilmember Nunn. Motion passed 7-0.

2. **Discussion and possible action to authorize Westland Resources to conduct a Water Interconnect Feasibility Study not to exceed \$20,450**

Public Works Director Brad Hamilton stated this was a scoping study to determine the best route for connecting the Whetstone Water system on Highway 90 with the main water system in the City. Mr. Hamilton then stated this project has been on the City’s books close to a decade and is one of those items that kept getting pushed off until the following year, but it’s time to start looking at it.

Councilmember Dempster asked if it would be connected on the east or west side with Mr. Hamilton stating that would be part of the study, adding the connection for the City’s water system will probably be on the west side; however, the current Whetstone system is on the east side. Councilmember Maldonado asked if this was the large million-gallon tank in that location with Mr. Hamilton confirming it was. Mr. Hamilton then stated at the Whetstone system there is one big well and a million-gallon tank supplying about sixty homes right now. Councilmember Boyle asked about hauling the waste with Mr. Hamilton stating wastewater is the subject of the next item. Councilmember Diaz asked if this money was coming out of the General Fund budget with Finance Director Seth Judd stating he believes it is coming out of the water fund, but he would have to verify this information. Mr. Hamilton stated he also believes these costs are under the Water Fund CIP (Capital Improvement Plan). Mayor King asked if there was any other discussion; there was none.

Councilmember Boyle moved to authorize Westland Resources to conduct a Water Interconnect Feasibility Study not to exceed \$20,450. Seconded by Councilmember Maldonado. Motion passed 7-0.

3. **Discussion and possible action to authorize Westland Resources to conduct a Whetstone Wastewater Treatment Plant to the Benson Sewer System Feasibility Study not to exceed \$21,800**

Public Works Director Brad Hamilton addressed the Mayor and Council stating this is the wastewater side of things noting currently there are 60 houses in The Canyons subdivision connected to the Whetstone Wastewater Treatment Plant; a plant that was constructed in the early 2000s and has never been in operation because there is not adequate flow with only 60 homes. Mr. Hamilton explained the City sends a tanker to truck sewage and dump it into the lower sewer system, adding this study would look at a pipeline force main to do that job instead of using a semi, noting currently a City worker hauls three or four loads of about 5,000 gallons each at least two days a week.

Councilmember Maldonado asked if this was on Post Road by the old railroad tracks with Mr. Hamilton stating it was, adding he believes it is also called Perc Road because it was a Perc Wastewater Treatment Plant. Vice Mayor Konrad asked if getting that plant online was population based and if so, what number of homes were needed to be on it with Mr. Hamilton stating the goal was at least 120-150 households, but noted at that point it would still need to be fed due to low flow. Vice Mayor Konrad asked if doing this would make it fully operational with Mr. Hamilton stating it would drain to the current treatment plant and be pumped into the main sewer, ending up at the main treatment plant by the golf course.

Councilmember Diaz spoke about anticipating growth and asked if the City could wait until the plant would become fully operational; then asked if any cost analysis had been done on putting in the pipeline, adding he realized this would be part of the study, but perhaps an in-house cost analysis could be done to see how much it would cost compared to the cost of hauling, noting there seems to be activity going on with housing units and some developers seem almost on the edge of starting to build again. Mr. Hamilton stated that activity is why this issue is being looked at now, adding currently a City worker hauls at least two days a week with three or so semi loads and with that task increasing, the City is either faced with increased labor costs and the costs to replace the tanker and truck or costs for the connection. Councilmember Boyle asked how long a study like this typically takes with Mr. Hamilton stating it would all depend on Westland Resources' workload, adding he won't know until there is approval to move forward. Mayor King stated he felt it was good to be proactive and look ahead because once someone has to haul four, five, six or seven loads a week, the costs are going to be there anyway, adding he believes in the long run it may be better to get the study done and save money along the way.

Mayor King then moved to authorize Westland Resources to conduct a Whetstone Wastewater Treatment Plant to the Benson Sewer System Feasibility Study not to exceed \$21,800. Seconded by Councilmember Nunn. Motion passed 7-0.

4. **Discussion during and/or after presentation by City staff of City Finances, with emphasis on November 30, 2019 financial results and the City's financial position at the end of November 2019; all revenues and expenses of the City may be discussed**

Finance Director Seth Judd stated he would be reviewing November finances, comparing Fiscal Years 2019 and 2020, noting for a point of reference, 42 percent of the fiscal year had passed at this point. Mr. Judd stated revenue for the month was at \$1,195,927 compared to last year at \$1,020,732, which is an increase of about \$139,000 and was due to an improvement in the economy and a few grants that contributed to the increase. Mr. Judd then stated year-to-date revenues were about \$5.5 million compared to \$3.9 million last year, which was almost \$1.7 million more, again noting the increase in the economy and increases in other places. Mr. Judd then stated the monthly expenses were \$929,000 compared to \$691,000 last year, which was an increase of about \$237,000, adding year-to-date expenses were \$4.6 million compared to just over \$4 million last year at this time. Mr. Judd stated the net position over the month decreased by about \$98,000 compared to last year but for year-to-date, the net position is up just over a million dollars, adding overall, the City has earned more and spent less.

Councilmember Diaz asked about expense increases with Mr. Judd stating the reports with the details were provided to Council, but he knows there were more maintenance expenses for the month and money was spent on the Lantern Festival, noting the Lantern Festival ticket sales provides additional revenue to the City and is a good investment.

Mayor King thanked Mr. Judd.

5. **Discussion and possible action regarding Ordinance 601 of the Mayor and Council of the City of Benson, Arizona, about maintaining the Privilege License Tax; Repealing Code Provisions that Conflict; Penalizing Violations Thereof; Providing for Severability; Designating an Effective Date and Making the Provision for Contracts entered into before August 1, 2015**

City Manager Vicki Vivian stated this ordinance was first brought to Council on January 13, 2020 to consider maintaining the current privilege license tax rate of 3.5 percent that was enacted in 2015, adding at that Council meeting, the item was tabled with direction to Staff to bring back additional information on possibly reducing the City's food sales tax by .5 percent, the impact it would have on the budget, and the possible impact to the City's credit rating should the ordinance not be approved. Ms. Vivian then stated on January 15, two days later, Staff received notification from Standard & Poor on the City's rating that read, "The rating committee has determined that the rating remains in line with the current rating level. We will be publishing a quote 'no change list' for credit ratings unaffected by the new Priority Lien criteria shortly that will include the City's rated issues." Ms. Vivian stated that while this is good news, Council needs to be cognizant that if, and when, the Council decides to seek bond financing or refinancing, should the status of the City's revenue change, there would be a moral and ethical obligation to notify Standard & Poor. Ms. Vivian then stated Staff's research shows .5 percent of the food tax collection is approximately \$160,000 and 1 percent of the City's current privilege tax collection is approximately \$1.25 million, which would need to be cut from future budgets should that tax sunset. Ms. Vivian then stated Council has the strategic financial plan handouts Finance Director Seth Judd distributed a few minutes ago including an additional scenario that reduces the food tax rate to 3 percent.

Ms. Vivian stated for comparison, jurisdictions in Cochise County are as follows:

City of Benson: Bed Tax 2.0, Food Tax, 3.50 and Privilege Tax 3.50
City of Bisbee: Bed Tax 2.5, Food Tax 3.50 and Privilege Tax 3.50
City of Douglas: Bed Tax 4.0, Food Tax 3.80 and Privilege Tax 3.80
City of Huachuca City: no Bed Tax, Food Tax 1.90 and Privilege Tax 1.90
City of Sierra Vista: no Bed Tax, Food Tax 1.95 and Privilege Tax 1.95
City of Tombstone: Bed Tax 4.0, no Food Tax, and Privilege Tax 3.50
City of Willcox: Bed Tax 4.0, Food Tax 3.0 and Privilege Tax 3.0

Ms. Vivian stated that as Council has seen, the City is still recovering from the economic downturn but is on the right track; maintaining the current tax rate will further enable recovery and assist with improvements that can be made in the City, as discussed at the recent Public Forums. Ms. Vivian then stated Mr. Judd had a presentation reviewing information provided in the Council packets.

Mr. Judd explained that much of what he was presenting echoes the meeting with Financial Consultant Pat Walker a few weeks ago when she went over the 5-year strategic plan. Mr. Judd stated he will specifically be discussing the General Fund, because Enterprise Funds have their own forecasts done when a rate study or financial plan is adopted for them. Mr. Judd explained that his forecast scenarios are based on maintaining current service levels without increasing or decreasing any services and this is basically leaving everything as is and show what would happen when the revenue changes. Mr. Judd then stated there are minimal capital expenditures in these scenarios in order to be as realistic as possible without any one-time expenses included, and the scenarios do not include money for CIP from the General Fund, or if it is included, it is very minimal. Mr. Judd stated the first line in his slide reflects estimated revenue based on the current year budget and uses assumptions to forecast future years, adding if you look at this like your personal finances, this would be the annual salary you receive. Mr. Judd then stated the second line is how much of the fund balance is being used to balance the budget and in personal financial terms, this would be your personal savings account; if you have a shortfall you can dip into your savings to cover the shortfall. Mr. Judd then stated that the departmental expenses are everyday costs and again going back to personal finance, this would be your mortgage payment, your car payment, your utilities, expenses you have on a monthly basis. Mr. Judd then explained that a contingency reserve is a budget line item added in every year, noting it is GFOA's (Government Finance Officers Association) best practice to budget 15 percent as a contingency for unexpected items that may come up throughout the year that are not planned for, adding that Staff would bring a resolution to Council to amend the budget if those funds were needed.

Mr. Judd continued, stating the State of Arizona requires a balanced budget so revenues and expenditures must

equal to zero net; then stated all three scenarios show the expenditures within the General Fund such as police, fire, parks, library, and City administration. Mr. Judd then stated the scenarios provided for 2019-2020, and by not using the rainy-day fund, the contingency shown in the second line item can then be added to your savings account. Mr. Judd stated that in Scenario B, the City adds to the fund balance in all but the last two years, reflecting removal of the 1 percent sales tax, and all except the last year in Scenario C which is the removal of .5 percent food tax. Mr. Judd then stated in Scenario B by the end of the last year, it is projected savings are completely used up and in the negative by \$64,969, adding that in looking at the red numbers such as the \$943,532 in Scenario B for 2022-2023, it shows a structural deficit, which means revenues are no longer sufficient to cover expenses and that number comes out of the fund balance. Mr. Judd then stated in Fiscal Year 2023-2024, the City is in the negative by over \$1.1 million and there is no fund balance, leaving the City in a bad situation.

Mr. Judd stated Scenario C projects the removal of .5 percent food tax, noting the revenues and expenses for the first year are the same, and the analysis is the same. Mr. Judd then stated for 2020-2021 Staff went back and looked at food tax collections over the last fiscal year and calculated what the .5 percent would be, adding it's about \$164,000; then stated he increased it each year by 1 percent revenue growth for the remainder of the model. Mr. Judd then stated if the contingency was not spent for the first few years, the saving account still grew, but at the end of Fiscal Year 2024 is when there is a structural deficit requiring that the City dip into reserves to cover everyday expenses.

Vice Mayor Konrad asked to clarify that the 1 percent approved in 2015 is set to expire in August of this year with Mr. Judd stating it will sunset in August of 2022. Councilmember Nunn asked why the Council is looking at cutting revenues by .5 percent with Mr. Judd stating the reduction in Scenario C reduces the food tax from 3.5 to 3.0 percent, adding there was a request from Council to provide that information. Councilmember Nunn stated in order to do this, it would require stealing money from the police, fire, admin, the library and the pool, and asked if that would lead the City back into furloughs again. Councilmember Nunn then stated the City can't just rob the General Fund, again stating, that is how the City got into trouble before. Mr. Judd stated Staff would look to the Council for recommendations as to where the money would come from to make up the difference. Councilmember Nunn stated Council had two weeks and it was their bright idea to do this so she would like to hear their recommendations and where they plan to take that money from.

Mayor King stated he thinks this should be put off for a couple of years because the City has the possibility of growth coming soon plus the Council has another chance in the future to drop the tax rate, adding Staff must make sure the budget stays in line and ensures running the City. Mayor King stated he made a promise as Mayor that he would fight like hell to make certain the City never has furloughs again; then stated he believes Council needs to consider the future, adding this goes whether he is Mayor or not, as he would not want to leave budget problems on the shoulders of the next Mayor. Mayor King then stated he felt this was a good idea, but after analyzing it further and looking carefully at the numbers, he could not in good conscious agree right now, but added that if growth occurs in this year or the next year, Council could then take that .5 percent off or even 1 percent off because more money will be coming in. Mayor King then stated he truly believes right now is the time that Council go forward as it is instead of trying to reduce it and the Council should delay this decision for two more years, adding the Council should be fiscally responsible about this decision.

Mr. Judd stated he attended a meeting a few weeks ago in Phoenix and the Budget Director for the City of Phoenix got up as the first presenter speaking about how they do not have a food tax currently but that a food tax is very vital, especially to small towns or during a recession period. Mr. Judd then stated the speaker explained in the past, the City of Phoenix instated a food tax in 2010 because of the economic downturn and to make up the deficit in their budget because they were so far behind on revenues. Mr. Judd stated he wanted to pass that along as it was recently brought to his attention and pertained to the topic. Mayor King stated he wanted to clarify that this is something Council can change in the future once growth is coming in with Mr. Judd confirming it was.

Councilmember Dempster stated it appeared to him that the Council didn't have the information to make good decisions about one versus the other and it seemed to him this is not just a decision about the food tax. Councilmember Dempster then asked if there was an easy program like Excel to do case scenarios with Mr. Judd stating he used Excel for his presentation, and he can manipulate the total expenses to be whatever Council would like to see, noting in the meeting with Ms. Walker, conservative estimates were used to paint a picture that was realistic as possible, and he has the ability to create all kinds of different scenarios. Councilmember Dempster

stated he would like Mr. Judd to create scenarios with the Council choosing to reduce ½ percent sales tax, staying at 1 percent for one or two years, dropping it right away, the airport having more development and other scenarios showing things the Council could possibly do so they could make real decisions instead of the way it's being done now. Councilmember Dempster stated he was not faulting anyone, adding it seems to be the way the system works, but he would like to see more scenarios and information to properly make this decision, and he would like 3 or 4 scenarios together to see how it comes out and how it sits with everyone. Mr. Judd stated Staff could do that, adding at the last meeting he was directed to provide what was presented today, but he can certainly go back and run more scenarios. Councilmember Dempster asked Mr. Judd if he would be able to include different variables from the Council into the existing budget with Mr. Judd stating he could do so and then come back to Council with the same kind of informational sheets he just provided with those variables in place. Councilmember Dempster then stated that if Council provided the variables to run more scenarios, it would give them the ability to see where things came up short and where there may be a need to fill in the shortage with a different option.

Vice Mayor Konrad stated that he had given this subject a lot of thought, adding he was here in 2015 when the 1 percent tax was enacted and he had voted against it, but he can see the need for it at this point and what it has done for the City including relieving furloughs. Vice Mayor Konrad then stated additionally, the Council was able to do some things for employees they hadn't been able to do before this, which helps with employee retention, noting even though no huge merit increases were given, the City was at least able to keep up with the cost of living increases and the cost increases in insurance, so there are a lot of good things that came as a result of that tax increase. Vice Mayor Konrad then stated the City was expecting to see some things that did not happen in the last five years which is unfortunate, adding not only has the City not experienced growth, but it has been just the opposite; we are seeing a shrinking population at this time, but the Council still has the obligation to the population to provide the services the City is providing. Vice Mayor Konrad then stated he feels the Council has taken steps in the right direction with utilities, finally stepping up and saying the General Fund should not be footing the bill for the utilities and instead utilities should sustain themselves, adding the Council has done that. Vice Mayor Konrad stated there are a lot of things that go into this but he believes the Council is making up for mistakes made by past administration, adding they are placing that on the shoulders of the current administration. Vice Mayor Konrad continued, stating although he sees huge steps being made in making corrections, it is difficult because the community is generally poor; there are too many people in this town who are not making it very well and he thinks the Council owes something to them. Vice Mayor Konrad then stated traditionally we see 6-year cycles in the economy with ebbs and tides and we are on an eleven-year run right now, adding historically that has never happened, so he feels we are on the cusp of another downturn and have no way of knowing when it might come, but it's going to come at some point and what that will do to the City's anticipated growth is anyone's guess. Vice Mayor Konrad then stated he has his own opinion, but the Council must consider that when things start turning south, the state tends to sweep cities' funds, so they need to hang on to what they have. Vice Mayor Konrad then stated this may not be wildly popular with some, and he did not expect a standing ovation from Staff; then moved to approve Ordinance 601 with the following revisions: to extend the 1 percent to 2023 and to reduce the food tax from 3.5 percent to 3 percent effective July 1 of this year.

Mayor King asked for a second; there was none.

Councilmember Dempster stated he would like to hear the motion again with Vice Mayor Konrad stating his motion was to approve Ordinance 601 with the following revisions: to extend the expiration date of the 1 percent to 2023 instead of 2022, and to reduce the food tax from 3.5 percent to 3 percent effective July 1 of this year with the new budget.

Mayor King again asked for a second; there was none.

Councilmember Dempster asked how much of a decrease in tax revenue this would result in with Mr. Judd stating the scenario Vice Mayor Konrad is talking about would be about \$163,000-\$168,000 depending on the year.

Councilmember Nunn asked where the Council was going to take that money from with Mayor King then asking City Attorney Gary Cohen if the discussion could continue due to the Council having a motion, but no second. Mr. Cohen stated Councilmember Nunn's question is related to the item. Mayor King then asked Councilmember Nunn to confirm her question was related to the noticed item with Councilmember Nunn stating she wants to know where that lost revenue was going to come from, explaining that this was discussed earlier and she had asked then where

the Council was going to steal this money from. Vice Mayor Konrad asked Councilmember Nunn if she was talking about the \$168,000 with Councilmember Nunn emphatically stating she was. Vice Mayor Konrad then stated from his standpoint, there is an offset based on fixing the utility rate problems so the utilities are no longer bleeding the General Fund, the City has made strides forward with the golf course, which has been a major expense over time and there are things going in the right direction, so the City will see cost reductions although he doesn't know if they will equal \$168,000, but those were his thoughts on the matter.

Councilmember Diaz stated he did not feel like Council looked at all the possibilities of where they might be able to save money, asking for example, what the budget would look like if the City contracted out the golf course operation. Councilmember Diaz then stated he was not saying to get rid of the golf course, adding he feels anytime he suggests contracting out the golf course operation, people automatically think he wants to get rid of it. Mayor King asked Mr. Cohen if the Council was getting off the agenda item topic with Mr. Cohen stating the discussion had to be connected to the agenda item. Mayor King then reiterated that any discussion had to be connected to the agenda item. Councilmember Diaz stated he is looking at the numbers presented and how the Council can address the deficits, adding Council has talked about making tough decisions. Councilmember Diaz then stated the golf course is needed for revenues and for the community and he understood that very well. Councilmember Diaz then stated the City is moving in a better direction and is working to explore options, so to take action on this agenda item right now without really looking at it first is premature, adding he believes the Council should take the time to consider options before moving on it. Councilmember Diaz continued, stating Council has not considered contracting out utilities and this is also something the Council should look at; then stated one of the other things the Council has not done is consider doing an organizational study which would help the City move forward. Councilmember Diaz then stated he spoke to a former Mayor and discovered that Cochise College does an organizational study every year so they know exactly where they are at and can look at things fairly, adding the Council hasn't done this. Councilmember Diaz then stated he is looking at other ideas that may be able to help the City not have to adopt the 1 percent tax, adding it would not be popular and he may get responses on this idea but asked about employees paying for a portion of their own health benefits. Councilmember Diaz stated these are just ideas and all he is saying is that the Council has not explored some of these ideas yet and he thinks they should. Councilmember Nunn asked if that could be considered a cut in pay with Councilmember Diaz stating it would not. Councilmember Diaz then stated the Council is looking at refinancing a bond and extending that bond to do projects, which he believes is the whole purpose behind this, and is making him question why this came up so soon when the Council still has 2 years left to deal with this. Councilmember Diaz then stated there is a credit rating the Council is concerned about but he understands the City's credit rating is stable right now and by not doing anything it will stay stable for the year or two until the Council has to address this when it is ready to sunset. Councilmember Diaz then stated he was questioning why the Council needed to look at this issue now, adding if the Council were to pass this ordinance, it would increase taxes and would increase the debt to the bond. Councilmember Diaz then stated he feels a bond and a fee is a tax and any of those kinds of things will increase taxes, adding Council is looking at increasing taxes and he does not feel this is the right time to do this. Councilmember Diaz then stated he is speaking on behalf of the public because he has heard a lot of people talk about the Council raising the wastewater rates, gas rates, property tax rates, and the transaction privilege tax for online sales, and now the Council is looking at this, adding this means the Council is going to ask for more taxes from the public and he doesn't feel it is the right time for this as he wants to see the City thrive. Councilmember Diaz then stated he understands the City has challenges such as needing a City Hall and that there are also cost of living concerns factoring in and raises earned which would all be part of why an organizational study would be important. Councilmember Diaz then stated another issue is the PSPRS (Public Safety Personnel Retirement System) debt, adding again, that he doesn't feel it is the right time to move the tax. Councilmember Diaz then stated there are ways to find monies, adding the Council hasn't even addressed how to encourage businesses to come to Benson. Councilmember Diaz then stated he's looking at the revenues and the negative numbers on the charts Mr. Judd presented and he wanted Mr. Cohen to understand that his comments are related to the agenda item.

Mr. Cohen stated Councilmember Diaz was explaining his reasons why at this point in time, he doesn't believe the ordinance as framed should pass, asking Councilmember Diaz if that is correct. Councilmember Diaz confirmed this; then stated the Council must find ways to help businesses, adding businesses coming to the community will help build revenues and lower taxes will always help businesses come into our community. Councilmember Diaz then stated anyone could just ask the state of Texas because businesses are not going to Arizona, they are going to Texas because their taxes are much lower. Councilmember Diaz then stated he had read several of Milton Friedman's books and articles on economics and Mr. Friedman's philosophy was the more they are taxed, the lower

the businesses come down until there is a point of no return when it hits a certain point because at that point, revenues will decrease and businesses will decline, adding to try and come out of that loop is really tough. Councilmember Diaz then stated he is not in favor of passing this 1 percent tax. Councilmember Diaz then stated that Mayor King mentioned he would like to make a motion with Mayor King stating that was incorrect and stating there was already a current motion on the floor. Mr. Cohen stated the motion basically died due to a lack of a second. Mayor King announced the motion was still on the floor. Councilmember Diaz stated he would yield to the Mayor.

Councilmember Boyle stated with a reduction in food tax by .5 percent, he understood that it wouldn't be until the third year that the scenario shows the City being upside down by \$30,000 with Mr. Judd confirming this. Councilmember Boyle then stated he didn't see a problem with dropping sales tax on food .5 percent and seconded Vice Mayor Konrad's motion.

Councilmember Diaz moved to amend the motion to not approve Ordinance 601. Amended motion died due to the lack of a second. Mr. Cohen stated since there was no second for Councilmember's Diaz motion to amend the first motion, the Council is now back to that original motion. Mayor King asked if there was any additional discussion.

Councilmember Maldonado asked to hear the motion again.

Vice Mayor Konrad restated his motion to approve Ordinance 601 with the following revisions: extending the expiration date of the 1 percent TPT (Transaction Privilege Tax) until 2023, instead of 2022 when it is currently scheduled to expire, and reducing the food tax from 3.5 percent to 3 percent effective July 1, 2020 to correspond with the new budget year.

Councilmember Maldonado asked for clarification on dropping it down to 3 percent and to extend it another year. Vice Mayor Konrad then stated his motion would mean the 3.5 percent TPT rate will remain in effect until 2023 instead of 2022 and the food tax which is currently at 3.5 percent will be reduced to 3 percent effective with the new budget on July 1, 2020, noting it will reduce annual revenues by approximately \$165,000.

Councilmember Diaz asked if the 1 percent tax would remain in place until the sunset date with Vice Mayor Konrad stating the 3.5 percent rate is currently set to expire in 2022, but his motion is to extend it for one year until 2023 along with the revision for the food tax. Councilmember Diaz stated the Council would then look at it again with Vice Mayor Konrad stating his assumption would be that the Council would probably revisit this issue in a year.

Mayor King asked if there was any further discussion, and after none, called for a vote.

Motion failed 2-5 with Vice Mayor Konrad and Councilmember Diaz voting yay and Mayor King, Councilmember Boyle, Councilmember Dempster, Councilmember Maldonado and Councilmember Nunn voting nay.

Councilmember Boyle then stated he was upside down with the motion and asked if he could change his vote. Vice Mayor Konrad asked Mr. Cohen to weigh in on this. Mayor King then asked if he should ask for another vote; stating the motion failed 2-5 and Councilmember Boyle wanted to change his vote. Mr. Cohen advised Mayor King to poll the Council.

Mr. Cohen asked Council if there was anyone disputing the vote. Mayor King asked if there was anyone on the Council that disputes this and there were none. Motion then passed 5-2 with Mayor King and Councilmember Nunn voting nay.

DEPARTMENT REPORTS: None

EXECUTIVE SESSION: Pursuant to A.R.S. § 38-431.03 (A)(3) & (7), for discussion or consultation for legal advice with the attorney or attorneys of the public body and discussions or consultations with the Mayor and Council's designated representatives to consider its position and possibly instruct its representatives regarding negotiations for the purchase, sale, lease, or exchange of city-owned real property.

City Manager Vicki Vivian stated an executive session was not needed.

ADJOURNMENT:

Councilmember Boyle moved to adjourn at 7:55 p.m. Seconded by Councilmember Maldonado. Motion passed 7-0.

Toney D. King, Sr., Mayor

ATTEST:

Vicki L. Vivian, CMC, City Clerk