

**SPECIAL COUNCIL MEETING  
BUDGET HEARING  
MONDAY, AUGUST 7, 2017  
6:30 P.M.  
SCHIEFFELIN HALL  
(CORNER OF FREMONT AND FOURTH STREET)**

**PUBLIC HEARING**

Mayor Escapule; "Good evening ladies and gentlemen the time is 6:30. The time has been set aside for the City Council to hold a public hearing for taxpayers making tax levies and discussion on the adoption of the final budget for the 2017-2018 fiscal year. I am going to open the floor to Mr. Villa if you have anything to say at this time."

Finance Director Villa; "Mr. Mayor I think the first step is to open the public hearing and close it and first item of the agenda is the Public Hearing with a vote. You have to open the Public Hearing."

Mayor Escapule; "Do you want to do it under the Council?"

Finance Director Villa; "No, it is the first item on the top and I think that just for the record it needs to have (inaudible)."

Mayor Escapule; "Okay." I don't see anybody here in the public that wants to stand up and say anything..."

Mr. Mike Caraffa; "Excuse me I would like to say something."

Mayor Escapule; "Go right ahead Sir."

Mr. Caraffa; "I just want to ask what the tax rate was last year?"

Finance Director Villa; "Which one Primary or Secondary?"

Mr. Caraffa; "Both of them together."

Finance Director Villa; "I will give you both. The Primary 91.80 and for Secondary .8851."

Mr. Caraffa; "it's what?"

Finance Director Villa; "8851. .8 8 5 1."

Councilmember Barlow; "Is there like a .02 difference in the Primary?"

Finance Director Villa; "Yes."

Councilmember Barlow; "and the difference in the Secondary is a fraction of a percent."

Finance Director Villa; "There is a page in the attached reports. This report is for the filing of the State. It is actually the format that they provide for us. It's Schedule B and it's probably in your packet. It does compare the two rates and combines them in the bottom and it also looks at the maximum allowable levies. What's important to mention is that in property taxes; one thing that this report doesn't show is the actual property valuation which is the key number to arrive to the rate. One of the things that has happened since probably 2015 property values have actually been decreasing. What that means is the amount of levy; the maximum amount authorized by the State; it's set by the State, and the Secondary property tax is based on the bond payment so as you can imagine the less property values that we have to distribute those two amounts the higher the rate is going to be by a few pennies by a few cents but you will see the escalating rate which has nothing to do with the Council establishing a higher rate. What it has to do more to is that you have an amount that has to be distributed amongst the property values as they are recorded by the County for both the bond payment and the regular Primary Tax. The formulas are complicated to explain. It takes a few steps but basically it's just dividing the amount of money that we need to raise by the amount available from property values."

Mr. Caraffa; "Isn't it true that some cities like Tucson just recently did decided not to raise; the State does not tell you that you raise that amount so that it matches what you wanted to budget for. The State says; the County says this is the valuation that you have in the City. Last year was a million dollars. This year it's nine hundred and fifty thousand. So it's your decision to raise it so it goes back up to a million dollars again. Now the residents that do not have the valuation of their homes, some of the devaluation is the business on Allen Street, some of it is the land out there that is being devalued but it doesn't mean the citizens have everything in their household that their property is going down. It's just making up for the properties that are losing value but it doesn't mean that everybody sitting here or sitting out there; their house value went down last year so in other words were getting a tax raise."

Finance Director Villa; "Mayor and Council let me first start by saying there are three major revenue sources for the City. One is local sales tax, two State Shared Revenues and the Property Tax Levy. Property Tax Levy is the smallest portion in General Fund. The amount of money that is used in General Fund. The amount of money that is used in General Fund is Fire, Police, Public Works and a number of other things. Of course the fourth source of income is user fees. People pay for garbage pickup and other things. Property taxes Mr. Caraffa is correct the City may opt not to levy a certain amount. The issue is that the City is always struggling with the resources that are available. The law does not require does not require the City to establish a property tax at all. However; the secondary property tax was passed by the voters attached to the Secondary Property Taxes. In the two different property taxes we have a very similar calculation but we have two different purposes. The Primary Tax is to fund a portion of the activity within General Fund. The maximum amount that we can levy is two percent over the prior year. And yes, the City adjusts its rate based on the maximum allowed by the State and based on the property value of its citizens. Basically saying that we are not increasing or recommending increases in property taxes all we're doing is adjusting to the fluctuations in property value. That's Primary Property. For Secondary Property Tax it is based exactly on the amount of money that we have to pay for the bond. We're on year three of ten year debt service plan. Every year that debt service will decline. There is another part to that; we also have to calculate that we will have delinquent payments toward the Secondary Property Tax. So the City is allowed to add five cents

on that to cover for any delinquent property taxes but every year that rate will be calculated based on the bond payment. So the quick answer is yes. The City could opt not to adopt the Primary Property Taxes not the Secondary but then you would have to find two hundred and ten thousand or I forget; one hundred and twenty three thousand dollars from somewhere else and one of the most difficult challenges that we came across this year is that we have to claim revenue sources from other places. We have bigger demands in the City from capital projects, from higher cost for benefits for the employees. We have different problems with infrastructure. So a hundred and twenty three thousand dollars is a small; relative small portion to the General Fund but where else does it come from? That is one of the questions that we have to ask. Either it comes from sales tax. Then the sales tax would then be higher than the regional sales tax or it comes from property taxes. Really those are the only two options. Other fees and services will never provide as much revenue as property taxes.”

“Moving on to the budget; property taxes are only an element of the budget but we have grants, we have state shared revenues and sales tax, all those play into our calculations here. We estimate that five point eight million dollars is available for the City for next year. A million of that is the number that we plug in that we don’t know if we are going to get. But we want to make sure that we have a number in the budget just in case a grant becomes available or other funding sources become available. We are under a Home Rule option that our total of five point eight million dollars is our shoe in. So if we were to exclude a million dollars of it and we all of a sudden become aware of that available fund we can’t spend it. (Inaudible). So five point eight million dollars again includes a million that we probably won’t see; hopefully we would. Now that five point eight million dollars matches the amount of expenditures. That’s why we have a balanced budget. The balanced budget includes again public safety expenditures, includes the sewer, garbage and water services that includes all their services that the City provides at the same level that they have been provided for over the course of the last five years. What that means is that we did not recommend any cuts to any services, any changes to any services, or any increases in user fees. What that also means is that we were not able to come to the Council and recommend modifications in salaries for police, fire and other departments because there is simply not enough in available resources to accomplish that. So again for the record; the actual number is five million eight hundred and one nine hundred and forty six thousand dollars. That is the final budget that is presented to you tonight! When we get to the three items tonight the first item is to adopt this as a final number and then we adopt individually the property taxes, one for Primary and one for Secondary.”

Finance Director Villa; “So if the Council has any questions or the members of the public have any additional questions.”

Mr. Caraffa; “Under what fund pays for the JP Morgan Loan?”

Finance Director Villa; “the JP Morgan Loan is paid out of multiple funds. General Fund, Wastewater fund, Sanitation Fund, even HURF pays.”

Mr. Caraffa; “but it is all paid out of the General Fund.”

Finance Director Villa; “No Sir!

Mr. Caraffa; “Okay.”

Finance Director Villa; "The only portion that comes out of General Fund is that equipment that belongs or is used for General Fund purposes. The police vehicles and other (inaudible) vehicles. Let me just address that because I know that has been an item of question. As I mentioned we are limited on resources. We have several options on how to raise money. Again we raise taxes, we ask for donations, or we borrow money. When we have situations where our infrastructure and our equipment is failing and it has become an extra expense on a monthly basis where our maintenance cost is greater than the service that they provide it's time to do something. The Mayor over the course of the last two years has struggled; Mayor and Council has struggled to maintain vehicles in proper order and minimizing an impact to the budget and it has been impossible. The only solution that we came up with is to recommend the City address the equipment needs by borrowing money at the lowest possible interest rate at one point seven percent. One point seven percent; no one borrows at that rate! So what that did is allow the City to upgrade almost all of its deteriorating equipment and move on. The cost of the debt service is less in most cases than the money we were spending (inaudible). So yes, there are probable multiple ideas out there on how we could have addressed the vehicle situation or the equipment situation but that's the one we recommended. Unfortunately we are also limited what we can bring to the table and that seems to be the best option that we had available at that time.

Mayor Escapule; "Anymore questions?"

Councilmember Davis; "On this JP Morgan Fund; It's one point seven percent. Do you know what the length of that loan is?"

Finance Director Villa; "Yes it is seven years!"

Councilmember Davis; "Seven years and we have been on it two years?"

Finance Director Villa; "Yes. This is our second year! The monthly payment is eight thousand three hundred dollars."

Councilmember Davis; "Alright, do you know where this document is. I am sure it is hiding in here. With this five point eight million dollar figure is?"

Finance Director Villa; "Yes, it's actually in three documents! The first document that we presented during the Tentative Budget is the summary, but then you will find it in Schedule A is the format required by the State of Arizona that is available to the public via the web site and the detail that we worked from and the five point eight million dollars would be under the header of two thousand eighteen on the bottom half of the report and it compares to the six point one from the prior year."

Councilmember Davis; "Okay, I see it."

Finance Director Villa; "This is the summary of what is found in the detail that breaks out salaries and breaks out individual items. Both of these documents will be available to the public for inspection."

Councilmember Davis; "This is the first time I have understood this stuff. I think rocket science is easier."

Mayor Escapule; "Anything else."

Mr. Caraffa;"Under General Fund local taxes, estimated revenue two thousand eighteen for cable TV, two thousand dollars. If they just took everything out how are we going to have revenue?"

Finance Director Villa: "Well you wouldn't."

Mr. Caraffa; "Why would it be in the budget that we got that revenue when we know that the Council voted to take the cable TV system out as a revenue that we can't get from them?"

Finance Director Villa; "At the time of preparing the budget we make our best guess at what can happen in the year. Council may have taken action in recent days or may have taken action down the road and those numbers may change."

Mr. Caraffa; "The cable company pulled out. We are not getting money!"

Finance Director Villa; "That represents a franchise fee that can come from anywhere else. Not just the particular company that left."

Mr. Caraffa; "It says here cable TV!"

Finance Director Villa; "Right!"

Mr. Caraffa; "one for utility and one for Bed Tax."

Finance Director Villa; "Did the Council make an action to never have cable TV."

Mayor Escapule: "No, there could be other cable TV come in."

Finance Director Villa; "That's the answer; if there is another company that comes in; all the budget does is make an estimate of what can be available. Things can change and things do change. We have policies from the Mayor and Council, needs in the town, regional changes, economic changes, (inaudible) these are estimates and things will change. Mr. Carrafa since you are the only member of the public I can answer any questions by email if you send them to me unless you want them for the record. I am available.

Mr. Caraffa; "I want them for the record!"

Finance Director Villa: "Okay!"

Mayor Escapule asked if there are any more questions. There being no more questions Mayor Escapule moves to call meeting to order.

- I. **CALL TO ORDER** Mayor Dustin Escapule called the Special Council Meeting to order on Monday, August 7, 2017.
- II. **PLEDGE OF ALLEGIANCE** Mayor Dustin Escapule led the Common Council and the general public in a recitation Of the Pledge of Allegiance.
- III. **ROLL CALL**

Councilmember Anna Salcido	Present
Councilmember Bill Barlow	Present
Councilmember Brian Davis	Present
Councilmember James Newbauer	Present
Mayor Dustin Escapule	Present

Also in attendance – Ruben Villa, Finance Director  
Brenda Ikirt, Interim City Clerk

**A Quorum was declared**

**IV. NEW BUSINESS**

**A. DISCUSSION AND/OR ACTION:** Approval of Resolution No. 12-2017; a resolution of the Mayor and Common Council of the City of Tombstone, Cochise County, State of Arizona, determining and adopting estimates for the amounts required for the public expense for the City of Tombstone, Arizona: adopting a budget; setting forth the receipts and expenditures; the amounts proposed to be raised by direct property taxation for the various purposes for the fiscal year 2017-2018.

**MOTION** by Councilmember Davis, **SECOND** by Councilmember Newbauer to approve Resolution No. 12-2017; a resolution of the Mayor and Common Council of the City of Tombstone, Cochise County, State of Arizona, determining and adopting estimates for the amounts required for the public expense for the City of Tombstone, Arizona: adopting a budget; setting forth the receipts and expenditures; the amounts proposed to be raised by direct property taxation for the various purposes for the fiscal year 2017-2018.

**DISCUSSION:** None

**Roll Call Vote:**

Councilmember Salcido	Yes
Councilmember Barlow	Yes
Councilmember Davis	Yes
Councilmember Newbauer	Yes
Mayor Escapule	Yes

**5 Yes Votes, 0 No Votes**

**VOTE:** 5/0

**MOTION:** Carried

- B. DISCUSSION AND/OR ACTION:** Approval of Resolution No. 13-2017; a Resolution by the Mayor and Common Council of the City of Tombstone, Cochise County, Arizona to authorize for the City's fiscal year 2017-2018 the Primary Tax Rate of .9316 for every \$100 of assessed value.

**MOTION** by Councilmember Davis, **SECOND** by Councilmember Barlow to approve Resolution No. 13-2017; a Resolution by the Mayor and Common Council of the City of Tombstone, Cochise County, Arizona to authorize for the City's fiscal year 2017-2018 the Primary Tax Rate of .9316 for every \$100 of assessed value.

**DISCUSSION:** None

**ROLL CALL VOTE:**

Councilmember Salcido	Yes
Councilmember Barlow	Yes
Councilmember Davis	Yes
Councilmember Newbauer	Yes
Mayor Escapule	Yes

**5 Yes Votes, 0 No Votes**

**MOTION:** Carried

- C. DISCUSSION AND/OR ACTION:** Approval of Resolution No. 14-2017; a resolution of the City of Tombstone, Cochise County, Arizona, levying the amount to be raised by Secondary Tax Levy and the rate upon each one hundred dollars (\$100.00) of the assessed valuation of property subject to taxation within the City of Tombstone for the fiscal year ending June 30, 2017

**MOTION** by Councilmember Newbauer, **SECOND** by Councilmember Davis to approval Resolution No. 14-2017; a resolution of the City of Tombstone, Cochise County, Arizona, levying the amount to be raised by Secondary Tax Levy and the rate upon each one hundred dollars (\$100.00) of the assessed valuation of property subject to taxation within the City of Tombstone for the fiscal year ending June 30, 2017.

**DISCUSSION:** None

**ROLL CALL VOTE:**

Councilmember Salcido	Yes
Councilmember Barlow	Yes
Councilmember Davis	Yes
Councilmember Newbauer	Yes
Mayor Escapule	Yes

**5 Yes Votes, 0 No Votes**

**VOTE:** 5/0

**MOTION:** Carried

Mayor Escapule asked for further question. There being no further questions Mayor Escapule moves to adjourn the meeting.

**V. MOTION TO ADJOURN**

Mayor Escapule entertains a motion for adjournment.

**MOTION** by Councilmember Barlow, **SECOND** by Councilmember Davis to adjourn the Special Council Meeting for Monday, August 7<sup>th</sup>, 2017.

**VOTE:** 5/0

**MOTION:** Carried

The Special Council meeting/Budget Work Session for Monday, August 7<sup>th</sup>, 2017 thereby adjourned at 6:52 p.m.

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Dustin Escapule, Mayor

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Brenda A. Ikirt, Interim City Clerk