

**BOARD OF SUPERVISORS MINUTES
GILA COUNTY, ARIZONA**

Date: October 12, 2010

MICHAEL A. PASTOR
Chairman

JOHN F. NELSON
Clerk of the Board

TOMMIE C. MARTIN
Vice-Chairman

By: Marilyn Brewer
Deputy Clerk

SHIRLEY L. DAWSON
Member

Gila County Courthouse
Globe, Arizona

PRESENT: Michael A. Pastor, Chairman; Tommie C. Martin, Vice-Chairman; Shirley L. Dawson, Supervisor; Don McDaniel, Jr., County Manager; John Nelson, Deputy County Manager; and Marian Sheppard, Chief Deputy Clerk. Bryan Chambers, Chief Deputy County Attorney, was out on bereavement leave, so an attorney from the County Attorney's Office was not present.

Item 1 – Call to Order – Pledge of Allegiance

The Gila County Board of Supervisors met in a work session at 10:00 a.m. this date in the Board of Supervisors hearing room. John Nelson led the Pledge of Allegiance.

Item 2 - Information/Discussion regarding the compilation by the County Supervisors Association (CSA) of the various legislative proposals submitted by all Arizona counties for the 5th Annual Legislative summit in November. The purpose of the Summit is to adopt a Legislative Agenda to be pursued by CSA on behalf of the counties at the First Regular Session of the 50th Legislature.

John Nelson, Deputy County Manager, advised that the County Supervisors Association (CSA) Legislative summit will be held on November 8-10, 2010, and he urged all Board members to attend as the upcoming State legislative session will be very critical in trying to protect the County's taxpayers from cost shifts from the State. He advised that this session is going to be all about defense. He passed out the latest report entitled the "Arizona Joint Legislative Budget Committee (JLBC) Revenue and Budget Update" dated September 29, 2010. The page entitled "The Road to Recovery Will Still Be Long" reflects that 335,000 jobs have been lost in Arizona since December 2007; housing problems persist and Mr. Nelson noted that this item is showing that 50% of Arizona-wide mortgages are "under water." He advised the Board not to expect a quick turnaround of 'getting through one year and then things will be fine'

because it's going to be a lot longer than that. On the second page of the report, there is a projection that Arizona's FY 2011 shortfall could be up to \$825 million 4 potential problems were cited as follows: 1) potential failure of the November ballot propositions totaling \$469 million; 2) lower federal matching funds in the amount of \$158 million; 3) possible revenue shortfall with new forecast of \$206 million; and 4) \$100 million K-12 shortfall, offset with federal funds. The next page was a chart entitled "Structural Gap Comparable to Cash Gap Starting in FY 2012," representing ongoing revenues versus ongoing expenditures, about which Mr. Nelson explained that JLBC is projecting Arizona structural imbalances for FY 2012 of \$1.5 billion, for FY 2013-\$1.3 billion and for FY 2014-\$2 billion. The next report entitled, "6 Major Activities Account for 96% of On-Going General Fund Spending," Mr. Nelson stated that one of the huge critical issues is if you look at State spending, this report shows that 77% goes toward education and Medicaid, which is government protected. He also added in the cost for prisons, which brings the total to 88% of the State budget spent in those 3 areas. So the State has some very significant budget problems with the choice of increasing taxes or shifting costs to the counties. Mr. McDaniel stated that to those who say cut services and employees at the State level, the State workers are only 5% of the whole budget. The last page of the report shows "Funding Formula Suspensions for FY 2011," which is a summary of what has been suspended for this year to balance the budget. Those same items will likely have to be suspended again for the next 3-5 years in order to balance the budget. Upon inquiry by Supervisor Dawson as to the funds that were raised by selling off State buildings, Mr. Nelson replied, "That was one-time income to the State to offset a lot of previous budget deficit." Mr. Nelson then compared the State costs to Gila County's costs showing that Gila County has a similar problem because 70% of Gila County's spending is for judicial services, courts, law enforcement and Medicaid—Arizona Health Care Cost Containment System (AHCCCS) and Arizona Long Term Care System (ALTCS). He noted that if the State again shifts costs to the counties, it will primarily occur in 2 areas—judicial services and law enforcement. He again emphasized that at the upcoming legislative session it will be about defense only and how to protect County taxpayers from that shift in costs. Another item Mr. Nelson provided to the Board was CSA's Policy Development Workgroup Recommendations. He noted that on page 2, CSA is recommending for this year's legislative summit that all proposals by counties either get a vote up or down—it either remains on the agenda or is removed. Mr. Nelson stated that he did not particularly agree with that position because if the counties are playing defense, they can't be out lobbying for 21 different proposals. Vice-Chairman Martin stated that what worries her about county legislative proposals is that not only do the counties need to play defense, but they should not keep their eye on 20 proposals that are not important and take their eye off the one proposal that is important. Vice-Chairman Martin stated that she would be for voting down any proposal that wasn't absolutely necessary this year. She also believes the State will again try to shift costs to the counties in regard to the prisons. She is also concerned

about these “fancy” school buildings being built, but wonders if the children are actually being educated. Vice-Chairman Martin stated that she had requested that Mr. Nelson provide her with information on voter-passed resolutions from 2000 through 2008. That information shows there have been 63 citizen-driven resolutions passed in the State. Of those 63 listed, 34 have absolutely increased both government and government spending and 22 of those were passed by the voters. So for the counties and State to cut back on government and government spending, the part that can’t be cut back are those resolutions passed by the voters in the last 8-10 years. Supervisor Dawson stated that one of the things she is frustrated with and would like CSA to review is that when the governor invited all the supervisors to a meeting, “it was a farce; it was a publicity meeting. It wasn’t ‘let’s get things done.’ And the plan with the prisoners is still there.” Chairman Pastor inquired if the committee formed by the State to review the prison problem had met yet. Supervisor Dawson replied that Craig Sullivan, CSA Executive Director, stated he would notify the supervisors once a meeting was set; however, there has never been a meeting of that committee. Mr. Nelson and the Board then reviewed the following 21 issues and proposals for consideration at the CSA legislative summit with Mr. Nelson providing his recommendations and the basis for same:

1) Budget—Protect county budgets by opposing State cost and programmatic shifts to the county level including State shared revenues, juvenile corrections shift, adult prisoner shifts and ALTCS/Acute care cost shifts. Mr. Nelson reiterated that the number 1 priority on Gila County’s list is budget protection for the counties. He stated that “State shared revenues” needs to be purged from everyone’s vocabulary because there are no State shared revenues, but instead we have State funding of State mandates. He explained that the property taxes go into the State general fund and what the counties get from the State for shared revenues is State-shared sales tax, which this year will amount to \$4.2 million. Then the State mandates that counties support its Medicaid program at a cost of \$3.5 million, which is 83% of the State’s shared revenues. In looking at Arizona State departments and the budgets of those departments for State employees, not county employees, those departments received \$5.5 million in direct costs, 131% of the State shared revenues. So the State mandates to the counties in those 2 areas alone are \$9 million in costs and then the State claims that it shares revenue to the tune of \$4 million. Mr. Nelson stated that at the last CSA meeting, Speaker of the House Adams talked about all the State shared revenues that the State can no longer afford. Mr. Nelson reiterated that it’s not shared revenues; it’s funding State mandates, so words do matter. He also noted that 25 years ago the taxpayers passed a State lottery and the funds were to go to education, the Heritage Fund and to assist rural counties with their property tax burdens. For several years the County received its lottery revenue, but somehow since this was supposed to assist counties with their property tax burden, it has now been changed to a county assistance fund. This year the Legislature decided it could no longer assist counties, so what the voters voted in 25 years ago has now been undone

by the Legislature. Mr. Nelson concluded this item by stating, "I think those words matter and somehow we have to start structuring it as 'you are not just sharing revenues with us; you are funding what you have mandated and if you're going to take those revenues, take some mandates too.'" Mr. Nelson stated that he plans to bring this up with CSA so the conversation will start changing.

2) Local Authorities—Protect existing county administrative and fiscal authorities that grant county governments the ability to appropriately manage their administrations and budgets according to their local needs. Mr. Nelson stated that the counties would want to maintain this so that any costs passed down from the State to the counties would allow the counties to have budget flexibility to take those costs out of any funds, restricted or not restricted.

3) Retirement—Continue to research and advocate for reform of the Public Safety Retirement System to achieve fiscal solvency of the fund and stabilize employer contribution rates and including employee contribution caps, modify length of service retirement required for new employees and modify or eliminate the returns cap of 9% for the fund. Mr. Nelson stated he believes that the State and county retirement funds are structural problems that have really never been discussed. The Public Safety Retirement fund is talked about specifically because it's capped at how much the employees can contribute. However, in looking system-wide at the State Retirement System, Mr. Nelson believes the rule of thumb for a retirement system to be adequately funded would be that 90% of the actuarial costs need to be funded. The State Retirement System currently is funded at 65.46%; the Public Safety Retirement fund is funded at 68.2%; CORP (Correctional Officers Retirement Plan) for correctional officers is funded at 82.6% and the elected officials fund is 71.3% funded. The entire state is severely underfunded in all of the retirement systems and there's only 2 ways to get out of that situation--hoping your investments do better or increasing the contributions. Mr. Nelson believes most of the funds will come from increasing the contributions and in a long-term financial situation it's one of the areas that need to be reviewed not only in Arizona, but nationwide. Vice-Chairman Martin inquired if addressing the employee contribution caps, modifying the length of service retirement requirement for new employees and modifying or eliminating the return cap of 9% for the fund would solve or address those issues. Mr. Nelson replied that in his opinion, it only addresses the symptoms. The State hasn't defined a benefit plan, meaning that when you come to work, you are guaranteed so much retirement as opposed to a purchased retirement plan like a 401K. He believes the State should go to a purchased retirement system and get that liability both for employees and the taxpayers off the books. Right now the State is running a Social-Security type program and it's not working. Vice-Chairman Martin inquired if that is because the State isn't funding it at the level at which it needs to be funded. Mr. Nelson replied that the State Retirement System started with a 7% contribution, then it had some tremendous gains in the stock market and the funding went down to 2%, but now it's up to 9%--the employee contributes 9%, the County contributes 9% of all wages and it's still only funded at 65%. Vice-

Chairman Martin stated to Mr. Nelson that she would like a recommendation on this item as she believes words do matter.

Before continuing with the remaining items, the Board discussed remaining firm against the State closing juvenile facilities and moving those youth to the counties because the counties don't have the appropriate facilities and services. Also discussed was the State's move last year to remove funding from the developmentally disabled programs. Dan Adams, a resident of Payson, stated that he believes the State is missing a great opportunity to save some serious money. He cited the example of New Mexico's whole prison system, which is similar in size to Arizona's and only costs 5% of their total general revenue, while Arizona's cost is 11%. He stated that Gila County should request that CSA go to New Mexico and see what they are doing to create this savings and duplicate those efforts, which could save Arizona \$500 million.

Mr. Nelson continued reviewing the CSA proposals:

4) Change the credit given to inmates serving time in lieu of paying fines from \$10 per day to \$60. Mr. Nelson stated that he did not like this proposal as Gila County already has a great system in place. The Gila County Sheriff's Office, Jail Commander, County Attorney and the Superior Courts work very closely on early release and making decisions based on who should be released and who shouldn't. Mr. Nelson stated that putting an arbitrary limit on that, he would not support.

5) Increasing Title 34 construction caps to \$250,000 for "horizontal" construction by public employees in counties of 175,000 or less. Mr. Nelson stated that he would recommend this proposal, which would increase the construction cap of what can be done in-house as opposed to what had to go to for bids. The amount will be increased from \$199,125 to \$250,000.

6) Clarify county authority to spend public money for maintenance of "primitive" roads. Mr. Nelson stated that this is pretty much a non-issue and gives the County authority; however, he deferred to Steve Stratton, Public Works Division Director. Mr. Stratton stated that the primitive roads are a good tool for the County because it limits liability, but the County currently utilizes HURF (Highway User Revenue Funds) monies to maintain them and is a non-issue. Mr. Stratton stated that every time the County takes in a primitive road, it adds to the County's certified mileage so the County receives more funds, so he couldn't see why this should shift the burden to the general fund. Vice-Chairman Martin inquired if the designation as a country dirt road took the place of a primitive road. Mr. Stratton explained that a primitive road has to be a road that was built prior to June 13, 1975. Gila County adopted its standards in 2002, so it has a gap from 1975 to 2002 and therefore invented the Country Dirt Road policy so those roads could be maintained without having to have them come up to a county highway standard.

7) Increase flood control district construction caps from \$5,000 to \$190,000 for construction projects that are eligible for construction by public employees in counties of 175,000 or less. Mr. Nelson recommended that this proposal be

supported because it's good for counties to have a higher cap; however, it would be negative to construction companies who are already struggling.

8) Increase the county processing reimbursement fee built into the fines for truck weight violations from \$10 to \$50. Mr. Nelson stated that the intent of this is to offset HURF revenues that the State has already started withholding from counties for the past 2 years. If the State is going to continue to withhold county revenues, then revenue is needed from another source.

9) Authorize counties to establish and operate shared justice and superior court facilities. Mr. Nelson was unsure how this would affect most counties; however, it would not affect Gila County. He did not foresee Gila County building a joint facility with another county.

10) Exempt county capital investments from existing expenditure limits. Mr. Nelson stated that this would not affect Gila County as it does not have an expenditure limitation problem that some counties have. He also does not think there will be much opposition at the Legislature either because the big proponent of property tax limitations and expenditure limitations has been ATRA (Arizona Tax Research Association), which has now agreed that the expenditure limitations that were passed by the voters in June 1980 no longer work and probably should be taken off the books. However, that would need a vote of the people to change the Constitution and that will never happen.

11) Allow counties to require drainage studies and minimum drainage standards before approving land divisions and building permits relating to un-subdivided lands. Mr. Nelson stated that he believes there will be tremendous opposition to this from the real estate community, other county supervisors and the Legislature; however, it is something the County needs to explore. Chairman Pastor stated this is probably due to the flooding in Coconino County and may be something Gila County could possibly be dealing with as well.

12) Remove the requirement that all appointments in the constitutional offices be recorded with the Clerk of the Board of Supervisors. Mr. Nelson stated that this appears to be the cleanup of an old statute that no one seems to follow anymore so it should go.

13) Reinstate the counties' ability to establish and collect license fees for itinerant peddlers. Mr. Nelson stated that the County does have a lot of arts and crafts shows for which the County could be charging fees; however, he's not sure the County would collect enough revenue to implement a program to collect the fees. It would also be implementing more government regulations. Supervisor Dawson stated that with the economy like it is, would the County want to encourage more people to go draw welfare or try to sell hand crafts? She did not agree with supporting this. Vice-Chairman Martin added, "And then charge them a license fee."

14) Permit counties to establish, via a county-wide election, a judicial facilities district for capital court projects and maintenance. Mr. Nelson stated that this is a request to set up a judicial facilities district similar to the jail district that is already in statute. He stated, "We've been there, done that, and I don't want to go back." Mr. Nelson stated that he didn't see any problem with giving other

counties the authority to do that, but Gila County would not take advantage of it.

15) Remove the sunset on the Assessor's property information and storage retrieval conversion and maintenance fund to allow for a permanent funding stream for the assessors in counties of 750,000 people or fewer. Mr. Nelson stated that currently all documents recorded have a surcharge placed on them, which is used by the Assessor to automate and keep that office automated. Gila County certainly does not have enough general fund money to subsidize the Assessor in that effort, so he believes it should be done by a surcharge and recommended keeping that one ongoing.

16) Reinstate the minimum number of civil cases constables must serve in order to be eligible to receive a minimum salary. Mr. Nelson stated that this is not a problem in Gila County; however, this is a major problem for one county in particular. He recommended supporting this.

17) Amend flood control district statutes to include bridges as eligible flood control structures for use of district funds. Mr. Nelson stated that Gila County does not have a flood control tax like most other counties, so it does not have restricted revenues. Anything done on flood control is done out of the general fund, so this wouldn't affect Gila County.

18) Multiple proposals that amend and clarify special district process for reorganizing their boards of directors, dissolution process, reorganization process, debt authorization. The measure also redefines roadways to include sidewalks and other enhancements that are immediately adjacent to the road. Mr. Nelson recommended that the Board read CSA's analysis on this item, which is quite extensive. It expands the definition of a road improvement district and multiple choices for addressing administrative and procedural issues surrounding special district organizations. Because Mr. Nelson had not spent a lot of time reviewing this, he offered no recommendation, but would provide one before the CSA meeting.

19) Amend statutes governing IGAs between the Department of Revenue and political subdivisions to allow counties the ability to review excise tax payments/collections. Mr. Nelson stated that this is an interesting proposal, but he doesn't know what he would do with it. He stated that the Department of Revenue will definitely talk about the increased cost this would place on their Department. Supervisor Dawson stated that with today's technology, she didn't understand why that information isn't already available. Mr. Nelson replied that the Department of Revenue already shares this information with cities and towns, but not with counties. For a couple of years they did share it with counties and then it stopped and he doesn't know what happened. Vice-Chairman Martin stated that this was CSA's initiative and she questioned the reason. Chairman Pastor stated that perhaps it would provide more information to the bigger counties. Mr. Nelson stated that he did not know, but he would prefer not to have that information, which would probably have to be protected information because there's some propriety information that deals with businesses and their sales tax collections. He said that CSA may have a different spin on this at the legislative summit and he would also like to

talk to the County Assessor because he believes all businesses are required to provide information to the Assessor's office; however, sometimes information gets different results.

20) Amend regional and public transportation authority population thresholds to reflect 2010 legislative changes. Vice-Chairman Martin inquired about the population thresholds. Mr. Nelson stated that this would allow areas with down to 200,000 in population to have a regional transportation authority and a half-cent sales tax. Gila County already has the half-cent sales tax for roads so this would have no effect on Gila County.

21) Clarify the employment relationship that exists between employees and employers working on any joint operations among the political subdivisions and other government agencies. Mr. Nelson stated that this is an initiative that Gila County could support. Right now if the County is working on joint projects with cities, towns, counties or other government entities, there's always a question, if someone was hurt, what worker's compensation and liability would apply and this just allows for clarification of the law basically that the responsibility for each employee goes back to its employer and not shared with other groups.

Mr. Nelson concluded by stating that these are the current proposals that have gone to CSA and there could perhaps be more. He advised that if the Board or members of the public would like more information on the above proposals, that information is available on CSA's website with a complete analysis, the cost and/or savings. The Board discussed the possibility of asking CSA to review Mr. Adam's suggestion of reviewing New Mexico's prison system costs compared to Arizona's system and also checking into whether or not the State of Arizona could legally shift its State prisoners and those responsibilities to the counties and begin being proactive on these issues. Mr. Nelson did not believe there would be any positive changes until the State, counties, cities and towns all sit down and talk about how to do things better for everyone. Vice-Chairman Martin suggested that this Board could lead the charge beginning with a proactive investigation. Mr. McDaniel, Mr. Nelson and the Board then discussed preparations for the upcoming legislative summit including a more specific plan for presenting this information to the other county supervisors and CSA in a more formalized way and getting the information moved to the next level in order to gain support for making a difference, particularly on the big issues. After much discussion, Mr. McDaniel stated that he would put together a position paper and contact the County Manager for Graham County, who was hosting the Small Counties Forum, to try to set up some type of meeting either before or after the Small Counties Forum to meet with the other supervisors.

Item 3 - Information/Discussion regarding Gila County's Boards, Commissions and Committees.

Don McDaniel, County Manager, presented and reviewed with the Board a large binder containing information on all of Gila County's boards, commissions and committees (BC&Cs). Mr. McDaniel explained that in discussions with Mr. Nelson this report came about in his attempt to know more about Gila County's BC&Cs. He explained that the binder contains varying degrees of backup and support materials for each BC&C, which will be kept current as changes are made and new information is acquired. Mr. McDaniel will review with the Board each County BC&C in monthly work sessions and will provide the following information, if available: the staff liaison; legal basis for establishment such as the creation date, bylaws, charter and legal counsel; assigned areas of responsibility; membership including terms of office and the appointing authority; meeting schedules and location; and will reflect those groups that are required by law to adhere to the Arizona Revised Statutes pertaining to the Open Meeting Law, posting agendas, keeping minutes, etc. Also provided will be information on how each group is funded, how the funds are utilized along with significant actions and accomplishments. This will allow the Board of Supervisors to more closely monitor these BC&Cs going forward. Mr. McDaniel concluded his report with the following recommendations: that this item be placed on the regular agenda so the Board can officially adopt a completed report or recognize it as a work in progress; that a coordinator be named to coordinate the actions of the BC&Cs to ensure they are doing what is required by law and submit their reports and minutes to the Board; that the coordinator have a staff liaison to each BC&C; that each BC&C be informed and trained as to the Arizona Open Meeting laws; maintain this report ensuring that it is always up to date; and some of these BC&C boards should report to the Board of Supervisors on a regular basis. Each Board member commended Mr. Nelson and Janice Cook, Administrative Services Manager, for their efforts in putting together this report. Vice-Chairman Martin requested that the Board also be provided with the regular meeting dates for each BC&C so if someone inquires about a particular meeting, she can provide that information. She also stated that in reviewing these BC&Cs, it might be necessary in work sessions to review the need for each one, particularly those that were established back in the 1950s, 1960s, etc. and see if they are still necessary today. Supervisor Dawson briefed the Board on some past issues she has had with the Industrial Development Authority. She was also concerned that some members of these BC&C boards have served too long and other members of the community should be allowed to serve on them. Chairman Pastor stated that he believes the result of this report will help the Board move forward in the process of reviewing all of the BC&Cs and help the BC&Cs be more accountable to the Board of Supervisors, as they should be. He stated that this is a good first step and that the recommendations from the County Manager should be placed on the regular agenda for discussion and approval. Mr. McDaniel suggested that after this item has been placed on the regular agenda for action, staff will come up with a priority listing for those BC&Cs that are most important first and they can be reviewed and the details discussed about each one. Supervisor Dawson

inquired about the need for it being placed on the regular agenda. Mr. McDaniel explained that because the Board cannot take any action at a work session, he recommended that this report be officially approved by the Board, allow staff to know exactly what the Board would like done, and would allow the BC&Cs to know that the Board is willing to take an action saying this is important, this is what the Board is going to do, that the Board will start looking at them, reviewing them, and it puts a little more force into staff's attempt to try to get information. Vice-Chairman Martin added, "We haven't adopted this book. We have simply acknowledged that it's started; it isn't complete. We're serious about taking a hard look. There's areas were we need more information and we're giving management the direction to proceed."

There being no further business to come before the Board of Supervisors, Chairman Pastor adjourned the meeting at 12:04 p.m.

APPROVED:



Michael A. Pastor, Chairman

ATTEST:



Marian Sheppard, Chief Deputy Clerk