

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

Date: February 23, 2016

MICHAEL A. PASTOR
Chairman

MARIAN E. SHEPPARD
Clerk of the Board

TOMMIE C. MARTIN
Vice-Chairman

By: Laurie J. Kline
Deputy Clerk

JOHN D. MARCANTI
Member

Gila County Courthouse
Globe, Arizona

PRESENT: Michael A. Pastor, Chairman; John D. Marcanti, Member; Don E. McDaniel, Jr., County Manager; Marian E. Sheppard, Clerk of the Board; and Laurie J. Kline, Deputy Clerk.

ABSENT: Tommie C. Martin, Vice-Chairman, and there was no County Attorney 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. Janice Cook led the Pledge of Allegiance.

Item 2 – REGULAR AGENDA ITEMS:

A. Presentation and discussion of the schedule and assumptions established for the FY2017 Gila County preliminary budget.

Don McDaniel, County Manager, reviewed the various handouts that were provided to the Board, as follows: Schedule for Preparation of FY 2016-2017 Budget and Associated Tax Rates; FY2017 Budget Variables, Assumptions and Policies; and, FY 16/17 Budget Kickoff and Gila County Quarterly Leadership Meeting (comprised of elected officials and department heads). He reviewed the schedule (listed below) and stated that this year, in addition to elected offices and departments presenting their capital needs early on, Public Works and Finance will develop an Internal Service Fund, which contains prices for the cost to lease office space, use of a County vehicle and gas. These costs will be distributed to elected offices and departments in order to develop their budgets. He advised that the Budget Review Team is comprised of the same individuals who sit on the County Manager's Administrative Team. The Team members are: Don McDaniel, County Manager; Michael Scannell, Deputy County

Manager; Jacque Sanders, Assistant County Manager/Librarian; Jeff Hossenius, Finance Director; and, Shelley McPherson, Human Resources and Risk Management Director.

Schedule for Preparation of FY 2016-2017 Budget and Associated Tax Rates

Week of:

- Feb. 10 - Revenue range determination and property tax collection affect.
- Feb. 23 - Work Session with Budget Review Team and Board of Supervisors.
- March 10 - Budget kickoff and quarterly leadership meeting.
- March 25 - Submit departments/elected offices capital budget.
Submit plans for Internal Service Fund expenditures (includes fleet, fuel and facilities.)
- April 1 - Finalize distribution of Internal Service Fund expenditures.
Submit departments/elected offices staffing requirements and operating expenditures.
- May 2 - Departments/elected offices presentations to Budget Review Team.
- May 27 - Departments/elected offices tentative budgets completed.
- June 21- Adoption of Gila County Tentative Budget.
- June 24 - Budgets complete from special taxing districts.
- June 29 - Public forum in Payson.
- June 30 - Public forum in Globe.
- July 26 - Adoption of Gila County Final Budget (Special Meeting).
- Aug. 15 - Certification of tax rates.

Mr. McDaniel then reviewed the budget variables, and recommended budget assumptions and budget policies (listed below). He explained that there is a 3% increase in the net assessed valuation overall for this year; however, that is 115% because of new construction. The overall net assessed value went up by over \$14 million and \$16 million of that amount is for new construction. If the County did not have an increase of \$16 million in the net assessed value because of new construction, Mr. McDaniel advised there would have been a decrease in the net assessed value of approximately \$2 million. The exact areas for new construction appear to be the hospital as a new improvement, expensive homes in the Payson area, and other properties that have been improved. Mr. McDaniel clarified that new construction only applies to assessments that are made through the County Assessor. He added that any valuation increase which is attached to new construction is not subject to the notification for tax increases, so the County would not be required to issue a Truth in Taxation Notice this year. The other assumption noted by Mr. McDaniel is that the County property tax rate will remain at \$4.19, and the tax levy will increase by approximately 4%. It is being assumed that employer paid medical insurance costs will increase by \$29.19 for individual coverage and \$58.00 for family coverage.

Chairman Pastor requested an updated report as to the distribution of the half-cent transportation excise tax with the cities and towns, to which Mr.

Hessenius replied that he would provide a report of the full distribution of that tax to the Board.

FY2016/2017 Budget Variables

- Net Assessed Value (NAV) of Property
- Property Tax Levy Limit
- Medical Insurance Costs
- Liability Insurance Costs
- Employer Paid Employee Retirement Costs
- Annual Employee Consumer Price Index (CPI) Salary Increases
- Annual Employee Performance Salary Increases
- Planned Capital Improvement Projects
- County Transportation Excise Tax (1/2 cent)
- Highway User Revenue Fund (HURF)
- Payments In-lieu of Taxes (PILT) Reauthorization
- Variation in Transaction Privilege Tax (TPT) Revenue
- State Legislative Mandates, Sweeps or Paybacks
- Number of Full Time Equivalent (FTE) Employees
- Staffing Vacancy Factor

FY2016/2017 Recommended Budget Assumptions

- Develop and Present a Balanced Budget
- Maintain Public Service Levels of all Elected Offices & Appointed Departments
- 3% Increase in Assessed Property Valuation (NAV)
- 3.3% Increase in NAV Related to New Construction
- Maintain County Primary Property Tax Rate of \$4.19
- Property Tax Levy Increases by approximately 4%
- Employer Paid Employee Medical Insurance Costs Increase \$29.19 for Individual & \$58.00 for Family Coverage
- Employer Paid Employee Retirement Payments Average Increase 3%
- Employees Receive 1.8% CPI Salary Increase (Full Fiscal Year)
- Employees Receive Average 2.5% Performance Increase (Half Fiscal Year)
- Approximately \$5M in Capital Improvement Projects Proposed
- Transportation Excise Tax to Continue at \$1.5M
- PILT to Continue at Historic Levels of \$3M
- TPT Revenue Continues at \$5M
- State of Arizona will continue approximately \$500,000 of cost shifts in: Judicial Salaries; Indigent Defense: HURF to DPS; Juveniles Housed at DJC; Department of Revenue Costs
- Maintain Staffing Levels at previously reduced FTE levels

FY2016/2017 Recommended Budget Policies

- County will maintain the existing Primary Property Tax Rate

- County will increase property tax levy by amount caused by new construction
- County will fund liability insurance cost increase
- County will fund Employee Retirement Benefit Cost increases including make up costs for PSPRS and CORP
- County will fund Employee CPI Salary increase
- County will fund employee performance salary increase
- County will fund \$2M in Capital Improvement Projects
- County & Employees will fund medical insurance cost increases (50/50 split)
- County will absorb any new cost shifts from the State
- Elected Official and appointed Department Heads continue to manager staffing levels (FTE) & salaries within the FY16 authorized position list & funding levels.

Mr. McDaniel stated that the that the last section of the hand out was the presentation outline and agenda for the FY16/17 Budget Kickoff and Quarterly Leadership Meeting to be held on March 10, 2016, with elected officials and appointed department heads.

Supervisor Marcanti inquired if the estimated improvement costs for the NAPA building (now referred to as Superior Court North) including the County Attorney's Office in Payson will be included in next year's budget assumptions. Mr. McDaniel replied that those costs were included in last's year's Capital Improvement Plan and they are also included in this year's Capital Improvement Plan. He advised that the Capital Improvement Plan will be discussed in detail at the budget kickoff meeting as well as the method of financing to be used in order to accomplish capital improvement projects.

Chairman Pastor stated that he remembered a problem last year with one of the special taxing district's budget being increased too much and he hoped a better system was in place in the Finance Division with regard to handling budgets for the special taxing districts. Mr. McDaniel stated that the special taxing districts submit their own budgets and the Finance Division sets the tax rate to meet those budgets; however, this year the plan is to make sure that the special taxing districts understand the process and how the tax rate is formulated and that it is based on the budget submitted each special taxing districts. Jeff Hussenius, Finance Division Director, added that he plans for staff to have a more interactive approach with respect to the special taxing districts to ensure a clear understanding of the process.

B. Discussion of the proposed issues to be addressed during the current session of the Arizona State Legislature.

Mr. McDaniel stated that this item is to provide the Board with an update regarding legislation and the position of the County with respect to Senate and House Bills.

Jacque Sanders, Assistant County Manager/Librarian, provided information regarding a spreadsheet, which can be accessed via the computer network that tracks the status of CSA (County Supervisors Association of Arizona) requests for responses to proposed legislation and the County's position on each of the House Bills (HB) or Senate Bills (SB), whether it is favorable or unfavorable. She then reviewed the following House and Senate Bills:

SB 1257: misconduct involving weapons; public places
Response: unfavorable

SB 1412: incompetent; non-restorable defendants; involuntary commitment
Response: no [State] funding

HB 2602: fireworks; permitted uses; regulation
Response: unfavorable

SB 1523: truth in taxation; levy increases
A response has not been requested from CSA yet.

Mr. McDaniel clarified that the unanimous vote required with SB1523 would happen at staff level and would require a unanimous vote by the Board of Supervisors for things that happen routinely and that this requirement would be unfavorable and not really appropriate.

SB 1428: The proposition and accompanying legislation permit the State to adjust certain benefits in the Public Safety Personnel Retirement System to alleviate system underfunding, including the replacement of the current permanent benefit increase structure with a cost of living adjustment that is indexed for inflation, capped at 2% per year. Mr. McDaniel stated that staff believes SB 1428 to be worthy of support. It's an excellent solution to a very difficult problem.

Chairman Pastor asked for clarification of how to access this information on the County network, at which time Ms. Sanders illustrated the steps to take on a computer in order to view this information on the County's internal network.

Supervisor Marcanti stated that he wanted to talk about opposing the bill regarding: "the list of exemptions from the tax base for the utilities classification of transaction privilege and use taxes is modified so that the exemption for the purchase price of electricity of natural gas by a business that is principally engaged in manufacturing or smelting operations and that uses at least 51% of the propane in the manufacturing or smelting operations no longer excludes gas transportation services." He stated that the larger cities

would be impacted as a result of the change to include "manufacturing" operations and may want to oppose this bill as well. Ms. Sanders clarified that the House Bill Supervisor Marcanti was referring to was HB 2025: utilities, TPT sale of propane.

Supervisor Marcanti also expressed concern for legislation that may discontinue the use of two cameras on state highways, specifically, one in Star Valley on SR 260, and one in El Mirage on US 60, as he feels this provides a positive financial impact for Star Valley. Ms. Sanders stated that this is not legislation that CSA is tracking at this time.

Item 3 – CALL TO THE PUBLIC: Call to the Public is held for public benefit to allow individuals to address the Board of Supervisors on any issue within the jurisdiction of the Board of Supervisors. Board members may not discuss items that are not specifically identified on the agenda. Therefore, pursuant to Arizona Revised Statute §38-431.01(H), at the conclusion of an open call to the public, individual members of the Board of Supervisors may respond to criticism made by those who have addressed the Board, may ask staff to review a matter or may ask that a matter be put on a future agenda for further discussion and decision at a future date.

There were no comments from the public.

Item 4 – At any time during this meeting pursuant to A.R.S. §38-431.02(K), members of the Board of Supervisors and the County Manager may present a brief summary of current events. No action may be taken on information presented.

Chairman Pastor presented information on current events. Supervisor Marcanti and Mr. McDaniel provided no comments at this time.

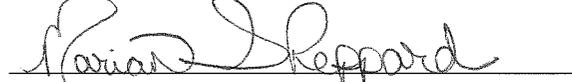
There being no further business to come before the Board of Supervisors, Chairman Pastor adjourned the meeting at 11:16 a.m.

APPROVED:



Michael A. Pastor, Chairman

ATTEST:



Marian Sheppard, Clerk of the Board