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TOWN OF JEROME, ARIZONA

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MINUTES

BUDGET MEETING OF THE JEROME TOWN COUNCIL JEROME CIVIC CENTER - 600 CLARK STREET – COUNCIL CHAMBERS MONDAY, JULY 6, 2015 AT 6:30 P.M.

ITEM #1:	<p>CALL TO ORDER/ROLL CALL</p> <p>Mayor/Chairperson to call meeting to order. Town Clerk to call and record the roll.</p> <p><i>Mayor Lew Currier called the meeting to order at 6:30 p.m.</i></p> <p><i>Town Manager/Clerk Candace Gallagher called roll. Present were Mayor Currier, Vice Mayor Freund, and Councilmembers Vander Horst and Barber. Councilmember Stewart had an excused absence.</i></p> <p><i>Other staff Present: Rebecca Cretti, Finance Director and Joni Savage, Deputy Clerk</i></p>
ITEM #2:	<p>2015-16 BUDGET</p> <p>The Manager will present the sixth draft of the 2015-16 budget for Council's review and discussion. There may be detailed discussion regarding any portion of the budget.</p> <p><i>Ms. Gallagher reviewed changes to the budget which were made as a result of Council's discussions at the June 25 meeting:</i></p> <ul style="list-style-type: none"> • <i>The Librarian's salary was increased to \$38,200 in acknowledgement of her role as a full-fledged Department Head.</i> • <i>A 2.3% cost of living increase was included for all other employees.</i> • <i>Longevity increases which had been included in prior drafts of the budget were eliminated.</i> • <i>Appropriations were reduced for Conventions/Seminars and Training/Education, in light of the fact that no Councilmembers or staff would be attending this year's League conference.</i> • <i>The appropriation for Dues and Subscriptions was increased to provide for a membership in the Jerome Chamber of Commerce</i> • <i>\$500 was appropriated for a donation by the Town to the local food bank.</i> • <i>The Library's appropriation for books (under "Print and Non-print Materials") was increased by \$1,000.</i> • <i>An allowance was provided in each department (under "Miscellaneous Expense" for year end gift cards (\$100 per full-time employee, \$50 for part-time employee).</i> <p><i>Ms. Gallagher noted that she had made other changes to the budget as well:</i></p> <ul style="list-style-type: none"> • <i>The anticipated revenue from the new bed tax and increased restaurant/bar tax increase was reduced by \$15,250 (one month's worth), because the timing is such that, by statute, the increase cannot be effective prior to November 1. Previously, it had been calculated as being effective as of October 1.</i> • <i>Other sales tax revenues were reduced by \$2,000 after reviewing May receipts and recalculating the estimated revenue for 2015-16.</i>

- She added \$13,000 to "R&M – Vehicles," divided between Water, Sewer, Parks, Properties and Streets, for repairs to our backhoe. She explained that Mr. Dement has reviewed our options for trading it in, and has determined that repairing our backhoe, which is in very good condition given its age, is our best option at this time.
- She has still retained the appropriation of \$34,000 for the Skid Steer (Bobcat); thus, if approved, this budget will allow us to repair and keep our existing backhoe AND purchase a used Bobcat.
- She made adjustments to appropriations in each department for Workmen's Comp insurance, based on new rate information.
- There were also adjustments to interfund transfers and minor tweaks to various line items in order to balance things out.

At this time, she said, the Capital Fund totals \$86,000, and the General Fund is subsidizing the Sewer, Sanitation and Streets budgets in the amounts of \$9,000, \$22,000 and \$55,800, respectively. Ms. Gallagher clarified that the General Fund has always subsidized the Streets budget, but she has not previously pointed that out in her memos.

Discussion ensued.

Council discussed a request by Jane Moore to provide a \$440 donation (\$1 per resident) to the Verde Valley Land Preservation Institute. Mayor Currier noted that this is not the Water Advisory Commission, and said he would like to let this slide. Consensus was not to include that in the budget at this time.

After further discussion, it was agreed to finalize the budget based on the draft presented by Ms. Gallagher.

As there were several members of the public in attendance at this meeting, Mayor Currier invited them to address the Council.

Anne Conlin, a business owner and resident of Jerome, asked if the budget includes the proposed sales tax increases, and how much that amounts to. Mayor Currier replied that it does include a new 3% bed tax and a 2% increase for restaurants and bars. Ms. Gallagher stated that the increases will provide about \$122,000 in this year's budget -- \$34,000 from the new bed tax and \$88,000 from the increase in restaurant and bar tax. This represents eight months of revenue, as the tax increases would not become effective until November 1. Ms. Conlin asked how those funds are being utilized in this year's budget. Ms. Gallagher replied that \$34,000 will be used to purchase a bob cat, \$13,000.00 to repair our backhoe, and \$32,000 would be placed in reserve for capital improvements, including \$5,000 toward the eventual purchase of a new garbage truck. In addition, \$12,000 of the bed tax revenues must be used to promote tourism, and Council has opted to use that money to hire a weekend shuttle driver.

Liz Gale, a business owner in Jerome, interrupted to say that the decision to use the funds in that way was made without any input from our businesses. Mayor Currier reminded her that he had brought this up at a Chamber meeting. Ms. Gale said that her recollection of what he brought up was different than what is now being proposed.

Ms. Gallagher continued with her response to Ms. Conlin. The added sales tax revenues, she said, will also allow us to subsidize our sanitation and sewer operations without raising rates. In addition it will provide additional funds for completion of the leaning wall/horseshoe pit project, addressing the subsidence area and repairing the steps and retaining wall at Town Hall in order to restore the access from School Street. She noted that the items she just spoke of total over \$147,000, greater than the \$122,000 revenue increase from the added sales tax.

Ms. Conlin suggested that Council look at cutting expenses rather than increasing revenues, and said that payrolls for our various departments are "pretty gargantuan for a town this size." While capital improvements are a critical need, she said that she feels the funds from these tax increases will just go into the Town's administrative budget, and that, once levied, are unlikely to be repealed. She said that government should serve the people and not "get bigger and bigger." She recalled that when Al Palmieri ran the Town, "it was with a couple of part-time assistants." The Mayor corrected her to note that Mr. Palmieri had an entire staff, and Ms.

Cretti added that there were 21 employees at that time.

Ms. Gale distributed a chart detailing tax rates in other communities, and acknowledged that there is a 3% bed tax in most of the surrounding towns. She added that none of them have a "booze tax," and said that if Council increases the restaurant/bar tax, it would be putting our restaurants and bars out of line with their competition. "You are putting our businesses in the spotlight," she said, "and making it more difficult for us to do business." She added that, while she is not for the 3% bed tax, it is "on an even playing field," but the bar tax is not.

Ellen Vojnic, a business owner and resident of Jerome, said that all businesses have certain expenses they must pay, and the only place you can cut expenses is your employees. She said that the Librarian job once paid \$100 per month, and is now a full-time position at over \$30,000. Also, the Fire Department was once all-volunteer and now pays salaries. She said that this is unsustainable for Jerome, and added that the shuttle driver should be a volunteer position, not a paid position.

Mayor Currier noted that this is the sixth budget meeting this year, and each of them have been open to the public. He said that he brought up the tax increases at a Chamber meeting, and "I assumed you understood we wanted people to come to the meetings. We cannot wait for you and so we did what we had to do." The Mayor went on to note that our Fire Chief does not get paid a per call stipend, and that volunteer fire departments are dying all over the country. The only alternative is to pay, and, he said, "you start with the top."

Eric Jurisin, a local business owner, thanked the Council members for volunteering their time, and said that he sympathized with the tough decisions they have to make. He said that he isn't against the bed tax, as everywhere he goes there is a bed tax, and it is used to promote tourism, and for no other reason. "If that's what you want the bed tax for," he said, "I'm all for it, but I get the impression that some don't want to bring more people to the community—they think we have too many people already." He said that he doesn't see that Jerome is any busier now than it was a decade ago, but what has changed is that Jerome has become a day trip for those who can't afford to go out of state. We held steady and we survived the recession, he said.

Mr. Jurisin said that he has an \$1,100 utility bill at the Haunted Hamburger. The Tavern in Cottonwood has the same sales, he said, and his bill is half that amount. He said that he believes water and sewer must pay for themselves, and "it needs to be divided up equally and we all must feel the pain."

Mr. Jurisin went on to say that "there are many successful businesses in this town, and maybe some people hide it more than me." He asked that, before asking bars and restaurants to pay more taxes, we make sure that everyone is paying their fair share of taxes. He noted that Cottonwood recently audited all the hotels.

Mayor Currier responded that, when he was the Town Clerk, he discovered a lot of people that didn't send in their sales tax. He called in the State, and it took four years to get somebody out here. Cottonwood must have hired an outside auditor, he said, and questioned how much that would cost us.

Mr. Jurisin said again that this is where we should start – by looking at the sales tax. He personally pays \$105,000 to the Town each year in sales tax, he said, which seems disproportionate given that there are 200 businesses here. "There are businesses that make more revenue than me," he said. "You see people buying in the shops—there are big ticket items that are being sold here."

Mayor Currier agreed, and it was noted that individual sales tax figures are reviewed by staff, although there was an issue for many months (recently resolved) where the numbers received on the State reports were garbled and illegible.

Mayor Currier asked if it is really true that our restaurants are competing with the Cottonwood restaurants, as it appears to him that most of their business is to tourists here on a day trip, and they are "a captive audience." Mr. Jurisin stated that, in his Jerome restaurants, he has a free burger night, free pizza night and a half-price drink night. "I don't do that down the hill," he said, "because I don't have to." To try to keep his Jerome restaurants going, he said, he is giving things away. He added that the restaurants have gotten better in the Verde Valley,

and that the new DUI laws are a problem.

This sparked a number of comments regarding police enforcement. Ms. Conlin said that the Town has developed the reputation of having an aggressive police force. Many people don't want to come up the hill to have a drink or two, she said, and that does affect them. Mr. Jurisin commented that "we have too many new faces. The police force doesn't shake hands anymore." Ms. Gale mentioned that, when she had been calling around asking other businesses about sales taxes, they commented about the Jerome Police department and how people do not want to come here anymore because of their aggressive nature. Mr. Jurisin said that his customers in Cottonwood apologize to him for not coming to Jerome anymore, but told him that they don't want to drive up the hill anymore because they're afraid the police will ticket them.

Mr. Jurisin said that he believes a tax increase for everyone would be more fair than targeting bars and restaurants. Mayor Currier expressed concern that this would "wipe out the retail business." Ms. Gale said that she had talked with some retail owners, and they said that they would be happy to share in the tax burden. Donna Chessler, the President of the Chamber of Commerce, asked how much it would generate if the tax went to 9.95% for everyone.

Mayor Currier stated that we would need to look into that. He said that Council had considered increasing utility rates but we would have to raise them by 38% to bring in the same revenue. Mr. Jurisin said that utilities should pay for themselves. The Mayor noted that, in this year's budget, the water department is paying for itself and the sewer department is being subsidized by about \$9,000. Sanitation, however, is not paying for itself and is being subsidized to a much greater extent. There followed a brief discussion of contracting out for garbage collection, and the problems faced in trying to do that in the past. People would have to bring their trash to a main street, and some are unable to do that.

Mr. Jurisin said that he would get out of the trash business here, and believes that it could reduce our costs. "It is a community problem that you are asking the businesses to subsidize," he said. "We pay our fair share plus."

Mrs. Vojnic suggested, regarding those that can't get their trash to the nearest main street, that we could place dumpsters in the neighborhoods, and neighbors could help each other.

Mr. Jurisin said again that he believes we can get out of the trash business, and we could also get out of the fire department business. "There are options to change things," he said. "Cornville has all the same services that we have, and they are with the County. There are a lot of ways to cut this budget."

Ms. Gallagher had performed some calculations during this discussion, and stated that, if we wanted to generate the same revenue with an across the board tax increase (and no bed tax), the Town's tax rate would need to be increased from 3.5% to 4.4%.

Discussion turned to the issue of hiring a shuttle driver, which the business owners in attendance were not in favor of. Mayor Currier noted that Chamber member Tom Pitts had been asking for a van for years, and at one time spoke of bringing in some sort of trolley. Ms. Gale said that a van is not the answer. A lot of people have difficulty getting into it, she said, and added that perhaps that should be a private enterprise. There was a brief discussion regarding whether or not the van driver should work for tips.

Ms. Gallagher did some further calculations and advised that, if the bed tax remained in place, the tax rate would have to be raised to 4.2% rather than 4.4%. Ms. Conlin asked who would be subject to the bed tax. Ms. Gallagher replied that it would apply to hotels, bed and breakfasts, and legitimate vacation rentals. Mrs. Vojnic asked if sales tax is charged for one room bed and breakfasts or for home rentals. Ms. Gallagher confirmed that both are taxable¹.

Regarding what she termed the "liquor tax," Ms. Gale said that she was under the assumption that restaurants not serving alcohol would not have to pay the extra tax. The Council and audience corrected her to explain that they would – the tax would apply to both food and alcohol.

¹ Clerk's clarification: Bed and breakfasts of any size, as transient lodging, would be subject to the additional bed tax. Long term residential rentals would not be, but would remain subject to the regular sales tax of 3.5%.

Discussion returned to the matter of a shuttle driver. Mr. Jurisin stated that the bed tax proceeds should be saved for "when we really have to promote businesses." He said that the businesses don't want a shuttle driver. He added that he does not see a shuttle driver as a promotion of tourism, because the tourists are already here.

Councilmember Vander Horst expressed his agreement with Ms. Conlin and Mr. Jurisin, and stated that Council "didn't look seriously at the expense side of the budget," or "outside the box." He said that he is concerned about the impact of the added taxes on our businesses, and noted that, unfortunately we have deadlines set by the state and we have to approve budgets. He pointed out that money budgeted does not necessarily need to be spent, and funds budgeted for the van driver could be spent on something else.

Ms. Gallagher explained the process that will need to be followed. On July 14, she said, Council will adopt a tentative budget, and then on the 28th there will be a special meeting to finally adopt it. In the interim, Council cannot increase the budget, but can reduce it. She went on to explain that approval of the sales tax changes is a separate process, and notification of the intent to make those changes must be posted on the Town's website for 60 days before action can be taken by Council.

Mary Wills, a Jerome resident and business owner, asked how much money was set aside for lawsuits. Ms. Gallagher stated that, currently, in the General Government budget, \$10,000 has been budgeted for litigation. However, in the contingency budget, we have included another \$100,000 for litigation. If that contingency money is spent, it would have to come from, and would reduce, the general fund balance. Upon an inquiry from Mayor Currier, Ms. Gallagher estimated that, to date, the Town has spent around \$50,000 on legal expenditures related to the vacation rental issue.

Ms. Conlin asked if there is \$400,000 in a reserve fund. Ms. Cretti clarified that the fund balance is essentially "owner's equity." It is not all cash. Vice Mayor Freund noted that it is important to reserve a sufficient level of that fund balance.

Ms. Wills stated that the easiest solution to shortfalls is always to raise taxes, but she is not sure it's the best way to go. Mayor Currier commented that the easiest solution for Jerome has been deferred maintenance, but, he asked, how long do we put off maintenance? We decided what we needed, and how to get there.

Mrs. Vojnic said that the water and sewer departments should pay for themselves, and should not be subsidized by the general fund. Vice Mayor Freund noted that, in order for the departments to pay for themselves, rates would have to be raised, and Mayor Currier added that we would have to increase the rates by 38%.

Mr. Jurisin asked, "is it fair that the businesses have to support the residents?"

Kenny Cooper, a local Jerome resident, asked where the revenue from the added taxes is going, and how those projects will benefit the visitors and the businesses in Jerome. Mayor Currier noted the distinction between people who live here and the people who own businesses here. Mrs. Vojnic said that, if it were not for the businesses here, no one could afford to live here. "There would be no infrastructure left, it would have rolled down the hill," she said. Most of the Town's income comes from sales taxes, she added.

Regarding utilities, Mrs. Vojnic went on to note that the businesses are paying more than the private sectors. Mayor Currier said that this is because the businesses use more of the services. Several in the crowd disagreed, and suggested that we review meter readings to see how much water the businesses actually use.

Mr. Jurisin asked Council for their opinion about the proposed tax increases.

Vice Mayor Freund said that it was our crumbling infrastructure that started this. We want to try to start working on things around town and we have accomplished a lot already. We need a source of revenue, he said, and added that he believes that the bed tax is fair. It taxes visitors and not our residents. Regarding the increase in food and beverage tax, he said that he thinks that will help the Town with other projects. He added that he feels that Mr. Jurisin makes a good point, and Council might want to look at an across the board tax increase. We should meet again and maybe reconsider that, he said.

	<p>Ms. Gale said that Council should be looking at the expense side of things, and feels that her customers WILL notice that the tax rate on their bill is nearly 12 percent. She said that it will affect the tips her employees receive.</p> <p>Mr. Cooper spoke again to state that he analyzed the budget and believes that \$100,000 could be cut in "unnecessary services." He declined to specify where the cuts could be made, but said that he would list them and provide that information to Council on July 14. His final statement was, "If you want to burn the tourist traffic, raise the taxes."</p> <p>Councilmember Barber said that the Town is falling apart, and the funds will be going to projects that we need. She noted that it appears we're the only community in the Verde Valley that does not charge a bed tax, and added that it would be good if people would show up earlier in the budget process rather than at the sixth meeting. She added, "I love this town and everything about it."</p> <p>Mayor Currier stated that we have numbers for the last eight years or so, and it shows that restaurant revenues have gone up by 50%, and hotel revenues have gone up 80% during that time.</p> <p>Mr. Jurisin said that his revenues have not increased by that extent, and offered to allow examination of his books. He said again that Council should make sure that everyone is paying their taxes. He went on to say that business owners are property owners here in town, and are being asked to pay more than their fair share.</p> <p>Mrs. Vojnic asked if property taxes would not cover street repairs. The Mayor replied that property taxes bring us less than \$50,000 per year, and can't be raised more than a fraction of a percent.</p> <p>There being no further comments, the Mayor asked for a motion to adjourn.</p>
<p>ITEM #3:</p>	<p>ADJOURNMENT</p> <p>Upon motion by Vice Mayor Freund, seconded by Councilmember Alex Barber and unanimously approved, the meeting was adjourned at 8:00 p.m.</p>

Edited by Town Manager/Clerk Candace Gallagher from minutes taken and transcribed by Deputy Town Clerk Joni Savage.

APPROVE:

ATTEST:

Lew Currier, Mayor

Candace B. Gallagher, CMC, Town Manager/Clerk

Date: _____