

**SPECIAL COUNCIL MEETING  
HOME RULE PUBLIC HEARING  
TUESDAY, JUNE 11, 2024  
6:00 P.M.  
SCHIEFFELIN HALL  
(CORNER OF FREMONT AND FOURTH STREET)**

- I. CALL TO ORDER** Mayor Dustin Escapule called the Special Council Meeting to order on Tuesday, June 11, 2024.
- 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 Colin Regan  | Present |
| Mayor Pro-Tem Bill Barlow  | Present |
| Councilmember Matt Faulk   | Present |
| Councilmember Jim Newbauer | Present |
| Mayor Dustin Escapule      | Present |

Also, in attendance: Charissa Presti, Interim City Clerk

- IV. 2<sup>nd</sup> PUBLIC HEARING – The City of Tombstone intends to discuss, review, and gather public input on the Alternative Expenditure Limitation (Home Rule Option) MOTION** by Mayor Pro-Tem Barlow, **SECOND** by Councilmember Newbauer to move meeting into public hearing.

**DISCUSSION:** None

**VOTE:** 5/0

**MOTION:** Carried

**PUBLIC HEARING**

*City Clerk Presti:* We had our first public hearing last Tuesday. For those that were not here at the first hearing, I want to explain the Home Rule Option a little bit. In 1980, the Arizona voters established a constitutional expenditure limitation for cities and towns. The state-imposed limitation is calculated from a formula using expenditures of local revenues for fiscal year 1979-1980. Even though the state's formula is adjusted annually for inflation and population growth, it does not include any adjustments for increases in types of services that we provide to our city. The alternative expenditure limitation, also known as a Home Rule, allows the city council to adopt a budget annually in the amount the city requires to provide the full range of existing services to its residents. If voters do not renew Home Rule, the city will be required to begin operating under the state-imposed expenditure limitation from 1980, regardless of the actual revenue that we collect, the city would have to wait a minimum of two years to ask for another vote on Home Rule. However, with the approval of the Home Rule option, the city will be able to utilize the expenditure authority for all local budgetary purposes, including the general fund, public safety, which is your fire and police, streets maintenance, sanitation, water, wastewater, tourism, and capital projects. The amount of revenue estimated to be available to fund the operation of the city of Tombstone for the 25-26 budget is approximately 12.2 million. If it were not to pass, the state-imposed amount would be 8.2 million. That would result in a budget shortfall, for 25-26, of about \$4 million. Just an FYI, the Home Rule will not impact taxes. This is purely a budgetary measure that will allow the city council to set the annual budget instead of the state formula. And so if there's

anybody from the public that would like to make a comment in favor or opposed, you're welcome to do so now.

*Mayor Escapule opens meeting to the public*

*Lillian Hritz:* I have a question related to what you were discussing about Home Rule. Last meeting, the city attorney, her comment was, we'll have to reduce the police and the fire department. But you just expressed a \$4 million deficit. If we do not pass the Home Rule during the election on November 5, what exactly does the city look at in terms of other things that can be caught in that 4 million if it doesn't pass? That's one question. But my other question is she also mentioned that it's always passed. I'm wondering, is there a year when it did not pass?

*City Clerk Presti:* Your first question is about other resources that we could cut. That is true. You could cut other resources, but that also affects your enterprises, which is your water, your wastewater, your sanitation. That would affect everything. Police and fire, also your city workers. Anything to maintain the roads. It would be a huge deficit to us. The second part of that question, there was a time, I believe, Mister Mayor, that you said that it did not pass or missed a deadline to put in the Home Rule.

*Mayor Escapule:* Let me shed a little light on this. The reason for the Home Rule is our revenue sharing is based on our population, and our population keeps our budget down. I think what the city attorney was trying to explain last week was that if we don't pass the Home Rule or the expenditure override, then we would have to cut back on law enforcement and other areas.

I'll tell you two examples since 2000, there were two mayors that failed to do the Home Rule. One cost us \$40,000 in fines, and the other one was about almost \$50,000 in fines. I went to Phoenix with the city attorney and the accountant to the attorney general's office and the auditor general's office to try to negotiate some kind of deal to get the city of Tombstone out of this big fine. They pretty much told me to get out of their office. They said this is the third time that the city of Tombstone has done this. If you don't pass the Home Rule, you're not going to get the money, and you can't go over that budget. And that's just as simple as that

*Asked off microphone what the fines were for.*

The fines were for going over the allowed budget. It wasn't going over our budget. When they budgeted, it was like 45, \$50,000 over what we actually was allowed to spend.

*John Goodspeed:* I think that I heard the figure 12.1 million or so. It would be about a one third cut. It's hard for me to envision how you'd cut a third of the services, if we fail to pass Home Rule and we would be capped at 8.2 million. That would be insurmountable as far as repairs, services, even over and above law and fire and medical.

*Mayor Escapule:* That's why Mayor Pro-Tem Barlow is absolutely correct that we should try to pass the word that this could be devastating for our town, especially since we have increased the budget because of our revenues. We have grants and various other sources of revenues, and if we're not able to do the Home Rule, we're going to be in big trouble.

*City Clerk Presti:* Just like you and Mayor Pro-Tem mentioned there's a process to the Home Rule. Publicity pamphlets will be mailed out in October that explains everything, like home Rule 101, so that way voters know before going to the polls what it means.

*Councilmember Faulk:* Isn't our actual working budget, excluding grants, that we hope to get closer to, like 5 million or so?

*Charissa Presti:* This one that we have right now is 3.2M in the general fund and it's 16M overall.

*Councilmember Faulk:* We're looking at 13M in grants that we want to get. Isn't a more accurate way to explain the Home Rule, is, if it didn't pass, there would be no cut in services because we

have the 8 million budget. There's still plenty of room, if it didn't pass, it wouldn't eliminate the opportunity to get grants for, like, the water plant.

*Mayor Escapule:* We would have to cut services because our revenue sharing and the money that we get would not allow us to keep the public works or all of the different departments going. We couldn't do it without going over budget. We would have to cut revenue.

*Councilmember Faulk:* Sharing from state sales tax. That's not part of the 3.5M.

*City Clerk Presti:* Correct.

*Margie Lane:* This will come up on the November ballot, will it be a proposition? Will there be anything that identifies it?

*City Clerk Presti:* Yes, there will be a proposition number. There's a whole process with it that every city and town, in Arizona, has to go through. It's not just Tombstone. We're going to have publicity pamphlets go out in October.

*Margie Lane:* What we really need to make sure that our residents in Tombstone Proper know that just because you vote in July, does not mean that you should not vote in November.

*Mayor Escapule:* The advantage to that is it is a general election for president and government, and our voters will be coming out. Historically, that's why we've tried to cycle it to where it's the same as. The general elections for president, governors, and the government.

*Margie Lane:* I'm sure you would agree, as well as the city clerk, that just because our city business is taken care of in July, that we don't want this to be overlooked on the general ballot in November.

*Mayor Escapule:* That's why social media needs to help us get the word out. But we need it passed.

## V. **CLOSE PUBLIC HEARING**

**MOTION** by Mayor Pro-Tem Barlow, **SECOND** by Councilmember Newbauer to close public hearing.

**DISCUSSION:** None

**VOTE:** 5/0

**MOTION:** Carried

## VI. **3<sup>rd</sup> BUDGET WORK SESSION – Presentation of Revised Draft for the Fiscal Year 2024-2025 Budget**

**MOTION** by Councilmember Newbauer, **SECOND** by Mayor Pro-Tem Barlow to open budget work session.

**DISCUSSION:** None

**VOTE:** 5/0

**MOTION:** Carried

### **BUDGET WORK SESSION**

*City Clerk Presti:* Okay, so this is our third budget work session. A few changes have been made for fine tuning, such as we included all the grants. Last session, we did not have a grasp on what was still pending. Thank you, TMO, for working with us and getting a new process. A million dollar placeholder was implemented for future grants that TMO and Fire are actually trying for now. Most of them are no matches. We have to expend the funds first and then get reimbursed. We updated the 60-40 fund line, which is a building maintenance line, with corrections that we had talked about the last budget

session. Salaries will be adjusted based on employee benefits tomorrow. We have an open enrollment meeting with the new broker tomorrow, this company has saved us already \$50,000. The general fund is set at 3.5 million. The overall budget is about 16.5 to include all enterprise, grant, and revenues. The tentative budget will be up for adoption tonight, and that is not to exceed the \$16.5 million.

I also wanted to make a comment on salaries. There's a misconception out there about our salaries, and I want to put this out here in the budget work session, because the salaries that we all have include a 4.5 increase across the board, for cost of living and minimum wage increase, which will take effect in January. It is also inflated with the amounts for everybody to include the possibility of overtime cost, Workman's Comp, FICA and Medicare, pension, insurance benefits, and uniform and tool allowances. The questions last time, from councilman Faulk about how we get the salaries to where they're at or how do we justify the salaries based on population. We don't do a metric on population and our employees' salaries. What we do go off of is the Arizona Leagues and Towns Salary Survey, and it is what everyone is making in the whole state of Arizona. I can provide that to all the council. We're right in line with everybody that is in this area. However, the numbers that were told to Sierra Vista Herald were from the budget that the previous finance director had inflated all the way across. It is said in that story that we are still in a working process. I just want to make it clear to the public that all those salaries are really inflated and includes all the benefits, overtime, and increases. The meeting tomorrow, will give us better grasp of who's taking benefits and those salaries will start to go down.

*Councilmember Faulk:* I didn't look at any individual salaries, just the totals. The question I had when I was comparing this budget to other cities was that per capita or per person Benson, Bisbee, Wilcox were 1200 or so to 1400, Tombstone is 2400 per capita. Somebody had suggested to me look at it also as a percentage of the total budget. Wilcox, Bisbee, and Benson are 64% to 67% of their general fund revenue while we are looking at 89%, which is still 20% more. It's not a per department or per position thing, it just seems like we're spending a huge amount more than those other cities on salaries.

*Mayor Escapule:* Tombstone's kind of a unique place. We have 1200 people live here. However, we have a half million visitors a year. That half million visitors a year equates to about a population of 30,000. Our infrastructure has to take care of right around a half million people a year, we can't do it for nothing. I've been in this for 25 years now, and we've tried nickel and diming it, and it's better to pay good money for good people.

*City Clerk Presti:* I also just want to piggyback on Councilman Faulk. I have the salary book here from the 2024 local government salary and benefits survey from the League of Arizona Cities and Towns. I'm just going to use me as an example for a city clerk. Benson City Clerk is 61K to 102K. Bisbee City Clerk 44K to 72K. Huachuca City 41K to 80K. Tombstone, 62,462. We're right in line with everything. We also have to remember that I'm not just city clerk, but city manager, finance director, marketing manager. We all wear several hats. You would pay individual people for all these jobs, and we have two people, which is myself and Deputy Clerk Shelly Kazda.

*Councilmember Faulk:* Again, I haven't picked out any individual salaries, but it's the total across the board that we're spending. It's so much more than other cities. And I understand what you're saying, too, mayor, but Bisbee has a substantial amount of tourism that brings in people, too. Benson has a Walmart that brings in people from who knows how far outside of Benson. Wilcox has at least one truck stop and their wine tourism industry there. So they all bring in more people than live there

*Mayor Escapule:* Their tax base is a lot higher than ours, too.

*City Clerk Presti:* Besides that, is there any more questions that you have on the budget? It is up for adoption tonight, and we just can't exceed over the 16.5 million if there is any changes.

*Councilmember Faulk:* On the page 38, the water fund, the actual revenues were a little over 561,000, but the budgeted revenue was 727,000. So why would we change the new projected revenue to 753,000? Where is that 200, roughly 200,000 going to come from?

*Mayor Escapule:* I'm curious, what's this all leading to? How do you propose that we resolve it?

*Councilmember Faulk:* I propose that you have numbers that are actually workable. You got 561,000 was the actual revenue. The budget shows 727,000. That has to come from somewhere.

*Mayor Escapule:* It's going to come from the customer, sir.

*Councilmember Faulk:* We're going to raise the water rates?

*Mayor Escapule:* We have to raise the water rates. All of the enterprise funds are in a deficit. The general fund has been offsetting it for too many years, and it's time to catch it up. I didn't want to do it right this minute, but within the next three months, we're going to be doing studies and changing all the water, sewer, and garbage pickup rates. We're paying, for example, Waste Management for probably 750 pickups, and customers are paying us for 500. There's not a balance. We're are having to eat the difference. And it's about \$50K or \$60K a year. If we don't budget for it in this budget, then we can't bring it into line during the next fiscal year. By the time we get to the next fiscal year, then we will have the revenues coming from the enterprise funds that actually pays for themselves and not having to take it out of the general fund.

Legally, what should be done is every time we take a dollar out of the general fund to cover something on the enterprise fund, it should be considered as a loan. We did that for years, then the next thing we know, we owed \$2 million or \$10 million. They finally said, just try to fix it, and we've been. We have been trying to fix it for a long time. That's where the problem is, in the enterprise funds not generating enough money. People don't want to raise the rates for what it actually cost us to do it, the 700K. That's what we're looking at. We've got water meters that have to be replaced that are 100 years old. We have pipes that are breaking daily. We have a pipe that's been broke for almost eight months, and we're waiting on somebody to make a fitting for us. It's a real challenge.

*Councilmember Faulk:* Do the water rates have to go before the public or we just vote on those?

*Mayor Escapule:* It'll probably be done by ordinance.

*Councilmember Faulk:* Why didn't we talk about this until now?

*Mayor Escapule:* I'm not going to point fingers, but we have a different way of working the financing now. These girls got the budget dumped in their lap and I think they've done an outstanding job putting it together.

*City Clerk Presti:* We had to meet statutory dates that are coming fast. I wish we would have had more time on this budget, to be honest. I want to thank my deputy clerk, Shelly, for working so hard to get this budget balanced. She has spent so many hours rebuilding it from scratch.

I want to tell you that we're also making changes within our department heads. They're going to be more responsible for their budget. We implemented a real time report that they can go onto Caselle, our government software, and see what their budget is in real time. If we put an invoice in, it will take it off right then and there, so they're always on top of it. They didn't have those tools before. I'm also making them be a part of the budget process. They were never a part of it before. There are some changes being made, and I'm hoping by next fiscal year, we have a better grasp on the new way of doing things.

**Lillian Hritz:** I'm a little confused on verbiage. You use the term enterprise, and I don't know exactly what that encompasses. And then you said you borrow from the general fund and you put into the enterprise to cover the expenses. I'm trying to understand what all that is. My biggest question has to do with how can we afford to give employees a pay raise when we're going to then tax the citizens during a time of inflation. Not saying that you don't deserve a raise, but as a business owner, I'm doing the same things with my own budget. The half a million tourists coming through sure aren't spending a dollar each in everybody's business. The first thing I'm looking at cutting are all of those major expenses. I can't cut out my water or electricity, but I'm looking at cutting my hours in my store so that I don't have an expensive payroll. I stopped purchasing any new inventory. I don't understand the logic that we increase our budget to increase pay. As Councilman Faulk mentioned, it's 80% versus other cities. Are we doing any comparisons in terms of what increases those other employees are getting. I know we're inching on that potential minimum wage of \$18, but the biggest fear I have is where is the money going to come from? My business will close, and I know how much I contribute in TPT to the city. That's going to have to be reduced from the budget. And if I'm not the only one, how much more will have to be reduced? There's just a lot of questions that I have and I'm not sure if they can be answered in a meeting, we could sit down and have a chat sometime. Thank you.

**City Clerk Presti:** So as far as the salaries and raises, as I mentioned before, those are inflated in a working document. I'm not getting \$105,000 raise; this is with everything included. Our enterprise funds come from Boothill, your water, sanitation, and anything that we bill customers for. Those rates have not been increased in over ten years, and are not producing the revenue, the general fund has been covering the difference. Benson and Bisbee have looked at our findings and budget since the dismissal of our finance director, and they recommend to increase our fees because we're barely making it.

**Margie Lane:** As a resident, it feels like I'm being punished. My rates are going to go up because due diligence wasn't done. You are getting a pay raise and I feel like the first place that should be cut is that it should be government spending. I don't mean that disrespectfully, when I do my own budget, I don't go out and buy new things.

**Mayor Escapule:** I know what you're saying. I don't totally agree with you.

**Councilmember Faulk:** Is there an estimate of what rates need to be raised to? My other question was sanitation. It was upside down as well. If you add water and sanitation the total is 400K upside down. If you estimate 1000 households, then that's like 400 a household. I understand not all that money needs to come from a household because some of the tourism is supporting sanitation and water as well.

**City Clerk Presti:** There's not an estimate. We would have to hire an outside firm to do rate study. We can't just start raising people's rates.

*Mayor Escapule:* All right. Any further questions? You got more remarks?

*Councilmember Faulk:* Yes, sales tax last year came in almost 100K under budget. This year looks to be way behind. Year to date is 1.008M, June is estimated at 348K. Receipts don't necessarily reflect the month they're collected, but are we estimating sales tax is going to go up when it's trending down. Is there any outlook that says that?

**City Clerk Presti:** Shelly got these rates from the state of Arizona. They give us proposed numbers, and she had plugged them in.

**Councilmember Faulk:** This is a forecast of what that think will come in.

**City Clerk Presti:** Including shared revenues.

**VII. MOTION TO ADJOURN**

**MOTION** by Councilmember Regan, **SECOND** by Councilmember Newbauer, to adjourn The Special Council Meeting for Tuesday, June 11, 2024.

\_\_\_\_\_  
Dustin Escapule, Mayor

\_\_\_\_\_  
Charissa Presti, Interim, City Clerk