



TOWN OF JEROME, ARIZONA

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Founded 1876
Incorporated 1899
AGENDA

BUDGET MEETING OF THE JEROME TOWN COUNCIL JEROME CIVIC CENTER - 600 CLARK STREET - COUNCIL CHAMBERS THURSDAY, JUNE 9, 2016 AT 3:00 P.M.

Pursuant to A.R.S. 38-431.02 notice is hereby given to the members of the Council and to the General Public that the Jerome Town Council plans to hold the above meeting.

Persons with a disability may request an accommodation such as a sign language interpreter by contacting Joni Savage, Deputy Clerk, at 928-634-7943. Requests should be made early enough to allow time to arrange the accommodation. For TTY access, call the Arizona Relay Service at 800-367-8939 and ask for the Town of Jerome at 928-634-7943.

A copy of the full public meeting packet may be reviewed at the offices of Jerome Town Hall and at the Jerome Public Library.

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 3:00 p.m.</i></p> <p><i>Town Manager/Clerk Candace Gallagher called roll.</i></p> <p><i>Present were Mayor Lew Currier, Vice Mayor Doug Freund and Councilmembers Alex Barber and Frank Vander Horst. Councilmember Stewart was not present.</i></p> <p><i>Also in attendance was Deputy Clerk Joni Savage.</i></p>
ITEM #2: 3:02	<p>2016-17 BUDGET</p> <p>Council will continue their discussion of the 2016-17 budget. Discussion will include possible increases in the transaction privilege tax rate and water and sewer rates, and any other aspect of the budget may be discussed as well.</p> <p><i>Mayor Currier began by reporting that the Town has not had any overflow for several days, and water level in our tanks has gone down. We checked the system and found and repaired a problem at one of the springs, and flow has increased, but it is still not what it should be. We are regaining, he said, but not as fast as he would like. There may be a problem at Mescal Canyon, which will require a rope rappel operation to investigate. That will be done next week. It is not a crisis situation, he said, but something we should keep an eye on. He pondered whether we may need to change the budget.</i></p> <p><i>The Mayor then asked Ms. Gallagher to bring Council up to date with the budget.</i></p> <p><i>Ms. Gallagher read from her memo dated June 9, 2016, reporting that, since the last meeting, she made the following changes:</i></p> <ul style="list-style-type: none"> • <i>She adjusted the sales tax revenue to anticipate: <ul style="list-style-type: none"> ○ <i>A one percent increase in the basic tax rate as of 11/1/16, bringing it to 4.5%</i> ○ <i>Restaurants and bars would remain at 4.5%.</i> ○ <i>The 2% bed tax would remain in place, meaning that hotels etc. would be paying a local rate of 6.5%.</i> </i> • <i>The added revenue allows the general fund to subsidize the water account with \$24,000 and the sewer account with \$28,500. Those are in balance now.</i> • <i>She spoke with the department heads about cutting their operating budgets and so far they have made cuts as follows: Library, \$1,365 cut; Court, \$3,300 cut; Planning and Zoning \$2,600 cut; and General Government \$1,000 cut. The General Government budget is higher now, however, due to the subsidies provided to water and sewer. The Police expect to be able to cut at least \$2,100.</i> <p><i>Ms. Gallagher said she had also made some minor tweaks to some of the line items. At the bottom line, there is now a \$90,000 surplus in the General Fund and that could be transferred to the Capital Fund.</i></p> <p><i>Mayor Currier asked if the water and sewer budgets are in balance with or without the 5%</i></p>

rate increase. Ms. Gallagher replied that it is WITH the increase, which accounts for about \$6,700 in sewer revenue and \$6,600 in water.

As requested by Councilmember Stewart at the prior meeting, she provided copies of the Town's 2008-09 budget.

Ms. Gallagher said that, at the last meeting, she was asked to look into the taxation of commercial rentals. Of Arizona's 91 cities and towns, she said, Jerome is one of only four that exempt commercial rentals from the transaction privilege tax. Because we don't know how many commercial rentals exist, it is difficult to predict how much revenue taxing them would generate. To begin taxing them would require a simple change to our tax code, which could be done at the same time that we make other sales tax changes.

She requested that Council finalize certain decisions at this meeting:

- **Sales Tax:** If we are going to increase any rate, she said, we would need to post a notice immediately in order for it to be effective as of November 1, and it would need to be on the next regular meeting agenda.
- **Wage Increases:** Right now, she said, the budget includes a 2% across the board increase.
- **The rental rate for the Jerome Artists Co-op lease,** which has been expired since November. The last time it was renewed, the rent was increased by 10%. Three years prior to that, it was increased by 3%.
- She would like to know if anyone would like to attend the League convention in August, so that funds could be added to the budget if needed.

If Council can finalize this process at this meeting, she said, the budget could be adopted in June, a month earlier than usual, and we would actually have a budget before the beginning of the year.

Discussion ensued, the highlights of which are presented below (not necessarily in chronological order).

Sales tax:

Vice Mayor Freund said that he does not want to increase the sales tax rate overall. He believes that the restaurants and bars tax our infrastructure significantly more than the artists in the Art Park, and he believes that the tax would be far more visible if it was charged to everyone, including the merchants, as opposed to just the restaurants and bars, where it is virtually invisible. He said that he thinks we should consider preserving the 1% restaurant/bar tax but not impose an overall sales tax increase. Mayor Currier agreed.

Councilmember Vander Horst said that he believes the additional tax on hotels is too high. Jane Moore, a resident, asked how much revenue the added taxes raise. Ms. Gallagher responded that the added tax on bars and restaurants and the hotel tax will bring in about \$100,000 per year.

Ms. Moore said that she did not think the sanitation revenues covered sanitation expenses, and commented that a lot of our garbage comes from the tourists. She also said that people have to eat and drink, but they don't have to go into a shop, so they will not notice 1% or 2% extra tax in the bars or restaurants as much as they would at a shop. She feels that the bars and restaurants, and the people here using the facilities, represent a huge impact to the Town apart from the shops and the residences.

Councilmember Vander Horst and Mayor Currier confirmed that there is currently no deficit in the sanitation budget, and Ms. Gallagher noted that it is in balance without any subsidy, because rates were raised last year.

Mayor Currier commented that we have been working under the assumption that the utilities should pay for themselves, but he does not believe that is true. In Jerome, the utilities have always been subsidized by General Fund. It's nothing new, he said, and that is done all over the state.

Councilmember Vander Horst agreed, and said that, in our situation, where we have a transient population of 4,500 people every day, it makes sense for the general fund to subsidize the utilities.

Suzu Mound, a resident, said that she really hopes that Council does not raise the sales tax again. "We as residents are being priced out of this Town," she said, noting that if she were to purchase a major appliance, it would have to be purchased outside of town but would be taxed at our high rate. Members of Council questioned that, and Ms. Gallagher said that she does not believe the Town receives tax revenue from appliances and such purchased outside of town and delivered here. Ms. Mound mentioned a carpet installation she had done ten years ago and that she was charged the Jerome tax rate.

Ms. Mound went on to say, "It is the restaurants and bars that create the need for sewer and water more than somebody selling a product. They are the ones that are profiting off what is ultimately taxing, literally, our sewer system and water supply." She noted that vacation rentals in the residential districts are only being charged on the basis of two people, but, in the past week, the rental near her has had a total of nine people staying there, and they are using water and sewer.

Ms. Mound added that she stayed in Carlsbad, NM where she paid 12% bed tax in addition to sales tax.

Doree Christensen, a local resident, said, "Being at the bottom of the totem pole in the Art Park, many of us eat the sales tax. In order for us to get a sale, we include the tax in our price." She added that she believes 10% is a magic number. If we go over 10%, she said, sales will go down for her. She went on to say that Cottonwood considered raising their sales tax, but there was so much pushback, they did not.

Michael Gamble, a resident and business owner, agreed with Ms. Christensen that the vendors take the tax off of their profit in order to make the sale.

Mayor Currier asked how much revenue we would generate by adding one percent on retail. Ms. Gallagher did a quick calculation and estimated that the difference for this year would be about \$65,000.

Ms. Moore said that it is rare that her shop's customers complain about the sales tax, but if they do, they offer them a local discount of 10%, and charge the tax on that. However, she doesn't believe that people will go into a restaurant or bar and ask for a 10% discount.

Ms. Christensen stated that tourists don't necessarily want to buy products, but they do go to the restaurants and bars. "They don't necessarily come here to buy," she said.

Mayor Currier said that the Chamber of Commerce was at the last budget session and they felt that retail should have to pay the 1% tax. "The problem is," he said, "we have different voices from the merchant community."

Ms. Mound said that Sedona's sales tax rate is 9.35%, which is a half percent less than ours. She suggested that Council ask the Chamber of Commerce to use funds from the Home Tour to build composting toilets instead of for advertising to get more tourists to Jerome. "Right now, we can't handle any more tourists," she said.

Ms. Moore said that she believes Sedona has a 3.5% bed tax, and added, "the Chamber people that were here -- weren't they mostly restaurant and bar?"

"It was Ms. Vojnic and Mr. Savage of the Chamber," the Mayor replied.

"How many people are speaking on behalf of the shops?" Ms. Moore asked.

Councilmember Vander Horst said that he would be much more interested in taxing commercial rentals than in raising the sales tax.

Mayor Currier said that he had no problem with that.

Vice Mayor Freund noted that the commercial tax would be primarily on the Historical Society, the mining company and the Jerome High School, which will get passed on to the Main Street merchants and artists. "Do we need to tax them?" he asked.

"Nobody likes taxes, but we have to pay the bills," the Mayor said. "I want to drop the increase in utility rates, but if we drop taxes we won't make it."

Ms. Moore stated, "Most of the touristy places in the State do have either or both a bed tax and a bar and restaurant tax. We see that impact greatly here in this town. The people here eating and drinking, it way outweighs what the residents use." She added that the bars create a lot of need for police and fire protection, and feels it is unfair if the shops should have to pay more than the bars and restaurants.

Councilmember Vander Horst said that he would agree with that assessment, but noted that we're the only community in Verde Valley that has a bar and restaurant tax.

Ms. Christensen said, "Sedona is a lot bigger than we are, and they can absorb that easier than we could."

Ms. Mound said that Sedona raised their bed tax to 3.5% in July of 2014.

Mayor Currier said that his thought was that, if we raised the sales tax and did not raise the utility rates, the merchants would still benefit, because their utility costs would be less.

Ms. Moore and Mr. Gamble disagreed, and Vice Mayor Freund stated that those in the Art Park have no utility cost. Ms. Christensen and Ms. Mound noted that they pay \$360.00 a year to the Historical Society toward utilities.

Ms. Mound provided additional information, reading from a website, regarding Sedona taxes.

Mayor Currier asked Council if they wish to raise the basic sales rate 1%. Vice Mayor Freund, Councilmember Vander Horst and Councilmember Barber said that they were not in favor of that.

"What about half a percent?" the Mayor asked.

Vice Mayor Freund said that he would not be in favor of that, and Councilmember Vander Horst said, "It is half as painful, but I hope there are other alternatives."

Councilmember Barber said that she doesn't believe people walk away from sales because of the tax.

Mayor Currier then asked about the bed tax.

Ms. Gallagher stated that the 2% tax will bring in an additional \$30,000, and adding 1% would add \$15,000 more.

Vice Mayor Freund suggested raising the bed tax to 3%. Councilmember Barber agreed. Councilmember Vander Horst did not agree, because, he said, "we just increased taxes last year."

Mayor Currier then asked Council how they felt about the commercial tax.

Vice Mayor Freund said that it would be nice to know how much revenue it would generate. Ms. Barber agreed.

Councilmember Vander Horst said again that he was more in favor of charging commercial rental tax than increasing the sales tax. He roughly estimated that the tax would bring in around \$9,000.00 a year.

Mayor Currier said that he doesn't see a compelling reason not to do this, and he doesn't believe it will affect the tenants greatly.

Mr. Vander Horst noted that, currently, the Historical Society absorbs the sales tax in their rents, but they would not absorb that increase.

Mayor Currier asked Council about the restaurant and bar tax, and whether it should remain the same.

"Keep it the same," Councilmember Vander Horst said. Vice Mayor Freund agreed. "Keep the restaurants and bars at the additional 1%," he said, "but don't let it affect retail."

Ms. Gallagher recapped: "You want me to run numbers that include roughly \$9,000.00 for commercial rental, keep restaurant and bar at 4.5% (the same that it is now) and increase the bed tax to 3%." She noted that one-third of that (1%) would be dedicated to tourism.

Councilmember Vander Horst said that he was not in favor of the increase in bed tax.

Mayor Currier said, "I don't have any interest in raising the bed tax. In my mind, we can't handle the tourists that we already have."

Ms. Cretti asked if we could use the extra money to build a public restroom.

Councilmember Vander Horst said that adding the commercial rental tax would not bring in as much revenue as he had hoped, "but is there a way to use that revenue to solve our parking problems?" He said that he has heard positive feedback about the shuttle this year, which is the exact opposite of what Council heard last year from the business owners that didn't want it.

Ms. Moore suggested that there should be public restrooms at the 300 Level. There followed some discussion regarding sewer lines, septic tanks and composting toilets.

Ms. Gallagher recapped again: "You want \$9,000 a year for commercial rentals, no additional tax on retail but continue charging bars and restaurants the added 1%, and raise the bed tax to 3%. She asked if she should try a .15% general tax increase, as that would bring the rate to exactly 10%.

Mayor Currier called a 10-minute recess. The meeting reconvened at 4:22 p.m.

Ms. Gallagher had performed some calculations and explained that, without a retail tax increase, the sales revenue without the restaurant, bar and bed tax is estimated at \$750,000. Revenue from the additional 1% added to restaurants and bars is \$66,000. Bed tax revenue from July to October (at 2%) is \$11,250 and then from November thru June (at 3%) is \$33,750.00. Commercial rental tax revenue, she said, will probably be closer to \$15,000.00, according to Councilmember Vander Horst. Total sales tax revenue then, without a retail tax increase, with an increase in bed tax to 3% as of November 1, and maintaining the additional 1% for restaurants and bars, would be \$876,000. What we need to raise is \$833,000. She noted that a .15% increase in the base rate would bring the revenue to \$897,000 and a half percent would raise it to \$914,000.

"If you maintain the restaurant and bar tax of the additional 1%, increase the bed tax to 3%

and add the commercial rentals tax," Ms. Gallagher said, "we'll be okay for this coming year."

Councilmember Barber asked if we needed to increase the sewer and water rates.

Ms. Gallagher said that she believes there is enough to cover that with the increases she just mentioned. Eliminating the utility rate increase would require about \$13,000 more from the general fund, and we would have enough to cover that.

Vice Mayor Freund said, "We had discussed increasing the utility rates, especially since it hadn't been done in quite a while, and 5% would be a reasonable amount. That should be re-visited every three to five years. I don't have a problem with that. We might be putting \$20,000 from the general fund into a utility, but we are charging a substantial administration fee."

Mayor Currier commented that he feels this last year has had very few accomplishments. If he were a taxpayer, he said, he would ask what the Council has done for the town. As such, he believes Council should be careful about asking the people for more.

Ms. Moore asked about the possibility of using some of the money from the increased taxes to fix the subsidence.

"The subsidence has not stopped moving," Mayor Currier replied. "Until it stops, there is nothing we can do." He added that there were good reasons why things did not get done. "The wall took so much of our time, and the vacation rentals issue. ... We were hung up on the wall, we fired engineers, and we changed department heads," he said.

Vice Mayor Freund said he doesn't think the subsidence will stop, and that it will continue to creep for years.

Councilmember Barber spoke at some length about the subsidence area, noting that it is located on a fault. "Did we not expect it to fail?" she asked. Mayor Currier agreed, and said that the maps show that we shouldn't have developed that area.

It was generally agreed that there would be no increase in utility rates.

Councilmember Vander Horst stated that he doesn't believe our visitors are paying their fair share, and asked if we have the ability to levy fees on tour buses. Ms. Gallagher could not say, and Vice Mayor Freund said that he has not seen any big tour buses come through.

Ms. Christensen said, "If we encourage the tourists to spend more, then they would support everything and pay their fair share." She suggested placing Porta-Potties in the center of town. "I don't think that would be approved by Design Review," Councilmember Vander Horst said.

Ms. Gallagher commented that perhaps they could be placed at the 300 level, and reminded Council that the additional 1% bed tax has to be used toward tourism. "That is basically \$15,000," Councilmember Vander Horst said, "so that would pay for a shuttle driver."

Ms. Mound asked that restaurants get their employees to not park on Main Street. "That would increase revenue," she said. Mayor Currier told her, "I've lived here for 40 years and we've said that every year."

Councilmember Vander Horst suggested parking kiosks, and the Mayor said that he would like to explore that idea once again. Ms. Gallagher noted that Chief Blair had done extensive research on this at one time, and "would love to come back as long as he doesn't get crucified again."

Mayor Currier said that Council would need to discuss that, and see what the people want, "however I don't want it to get mixed up with this budget." Councilmember Vander Horst suggested funds could be placed in the contingency budget.

Ms. Christensen argued that, if Porta-Potties were placed at the 300 level, it would encourage visitors to go home. If they're in the middle of town, however, it would encourage them to continue shopping.

After brief further discussion, Mayor Currier said that he would like to move the discussion to wages.

Ms. Gallagher recapped once again: "As far as a tax increase, no base rate increase, it will stay at 3.5%. Maintain the 1% added tax on restaurants and bars. Increase the bed tax to 3% as of November 1, and commercial rentals will start to pay tax as of November 1, 2016. And no utility rate increase."

Vice Mayor Freund noted that Council had discussed "sunsetting that tax" a year ago.

"I don't see how we could do that now," Councilmember Vander Horst said. He asked if adding a .15% increase would make a difference to the retailers. "I believe that visitors come

to Jerome not just for restaurants, but the total experience," he said.

Ms. Christensen said, "If you give everybody a breather this year, maybe you could tack it on next year."

"We're not giving hotels a breather," Mr. Vander Horst stated.

Mayor Currier noted that the 1% we're adding will go to tourist related expenses – a shuttle or porta-potties.

Ms. Cretti suggested that the 1% have its own department in the General Fund. "Porta-potties are grotesque," she added. "They don't give you any place to wash your hands."

Councilmember Barber suggested that a shuttle might encourage employees to park off the Main Street.

There was brief discussion regarding whether parking kiosks might be an enterprise fund. Ms. Gallagher said that the auditors would need to be consulted about that.

Ms. Christensen said, "If the deficit areas are water and sewer, then most of your retail stores aren't contributing to that. Restaurants and bars impact the water and sewer more than retail."

"The restaurants wouldn't have customers if the shops weren't there," Councilmember Vander Horst said.

Ms. Cretti noted that the people who go to the shops use toilets and produce trash. "Retail does bear a responsibility for the tourists," she said.

Wages:

Mayor Currier said that he was at a meeting with Head Start and the subject was the 2% COLA that had been authorized by the Federal Government. "Our 2% raise is not too far-fetched at this time," he said.

Councilmember Vander Horst said that he doesn't think there is a 2% raise in the County budget this year.

Vice Mayor Freund said that he's looking at a zero increase for most Americans. "The economy isn't exactly burgeoning," he said.

"The economists I trust say that, if people get more money in their pockets, the economy will improve," Mayor Currier said.

Ms. Mound stated that salaries are a source of contention, and she believes a lot of residents would appreciate a freeze on wage increases.

Councilmember Barber said that she is "on the fence about it."

Vice Mayor Freund said that he doesn't want a 2% increase.

Councilmember Vander Horst said "I say no to an increase."

Vice Mayor Freund suggested a half-percent increase.

Mayor Currier noted that, if we don't give any increase, we would have \$40,000 in savings.

"So, we'll say 'no' to the troops and put it in the bank. I don't think half a percent is worth the bother," he said.

Ms. Christensen asked if an increase was in the budget right now. "Yes," the Mayor replied, explaining that the budget includes a 2% raise. "We would still have the \$20,000 in savings," he said.

"If it's possible, then you should," Ms. Christensen said. "We should invest in our people. People are happier, they work better and all is good."

Councilmember Barber said that no increase at all sounded "pretty harsh."

Ms. Christensen said again, "If it's possible, you should. I think investing in people is important. They work better together. With your original calculations, you still come out with \$20,000 in the bank."

Ms. Mound noted that this is an election year and spending could drop in the fall.

Mayor Currier said that he believes keeping the morale of the troops up is important.

Councilmember Vander Horst noted that the budget includes an extra person in public works for half the year. He suggested that be eliminated, and Ms. Gallagher said that the cost of that is about the same as the 2% increase, which would make it a wash.

Vice Mayor Freund reminded all that the extra person was to help jump start work on the infrastructure. He said that he is very much in favor of that position being preserved.

Councilmember Vander Horst noted that departments had reduced their budgets by about

	<p>\$10,000. "Couldn't we give them a 1% raise based on cost savings?" he asked. There was brief further discussion, and Council settled on a 1% increase which, at Ms. Cretti's suggestion, would be divided evenly among the employees so that everyone gets the same raise. There was discussion regarding how to divide that between full-time and part-time employees and it was decided to prorate it based on hours worked.</p> <p>Rentals: Ms. Gallagher stated that the attorney has advised that we can subsidize the Artists Co-op if we are able to document that doing so is a benefit to the whole community. She suggested that, for budget purposes, we leave the rental income as is, and discuss it at a future meeting with the Co-op present. This was discussed a bit further, and ultimately it was agreed to increase the budgeted revenue slightly to account for a possible 5% rental increase within a few months. Regarding the Blue Bee Boutique, Ms. Gallagher said that she spoke with Ms. Walker, who told her that she does not want to risk losing her lease in order o save a couple of hundred dollars a month. There was brief discussion regarding other ways in which the Town might assist Ms. Walker, including allowing her to use the outdoor concrete area next to her shop. It may be possible to put a public bench and/or table there, Ms. Gallagher said, but we should be careful about allowing her to display her wares there, as that is not part of the space she is leasing.</p> <p>League convention: It was discussed and determined that no one would be attending the League conference in Scottsdale this year. Councilmember Vander Horst said that he would like to attend the Newly Elected Officials training at some point.</p> <p>Ms. Gallagher said that she would make the changes discussed, and whatever is left in the general fund will go into the capital fund. "We will have a tentative budget on Tuesday night's agenda," she said.</p>
<p>ITEM #3:</p>	<p>ADJOURNMENT Upon motion by Councilmember Vander Horst and seconded by Vice Mayor Freund the meeting was adjourned at 5:25 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: _____