

Tuesday, June 05, 2018

To: Council

Fr: RES

Re: Approaching the end of the Fiscal Year

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Council – an update as we approach the close of this FY

I've been part of the administration since last June, becoming permanent around November of last year – so an official City employee for about 8 months, but familiar with the operation for about a year.

**June and July** were mostly about meeting people and scanning for critical failures that might have imminent or catastrophic repercussions, as well as gaining some understanding of the City's financial challenges. Likewise, efforts to learn the history of Bisbee and decisions that were made in its governance were and still are ongoing. There were frequent presentations and updates to Council on findings, activity and progress.

**August and September** were financially focused as I began looking at our financial structure, challenges related to enterprise fund operations, and trending of our financial position over the last decade. I reached out to Mark Reader at that time, to begin formulating some strategy on how to address our issues. Again more reporting to Council to keep us on the same page.

**October – January** was all about the fire...and from that point on the fire and our new circumstances still have required attention from time to time, as it does affect operations. I also brought Mark Reader (Stifle) in to meet with Council in January – to approve his engagement letter so we could begin real work.

**January – March** was spent examining our financial status, creating and critiquing financial approaches and coming to a proposed action on debt structure that we thought might best benefit Bisbee...I was also working with the League, as well as PSPRS, and modeling our payment options with some actuarial data, and with PSPRS' unresponsive staff, that stretched us into April – by then the idea of restructuring was well formed and we were ready to present to Council

**In April** I brought Mark Reader to Council, to request in a work/study session that he approach Council with a formal proposal -- and Council indicated receptivity, and that he should do that. By 5/29/18 we had the formal documentation together and the proposal before Council for action, in time to save the City some \$550K in debt payments for the coming FY, as well as to build in a \$768K payment to the City at the close of the new loan document (hopefully in 30 days). Net savings/windfall of \$1.3M this year, and about \$550K a year for the next 7 years.

We have been talking off and on about several items that are beginning to reach actionable states – and which have the potential to change our circumstances for the better.

# Bisbee, AZ

## Office of the City Manager

1. Not having to Pay \$1.1M this coming year on waste water debt is a welcome relief – getting that payment down to a steady \$550K every year from now on is a good way to start a plan, and a rate schedule, that will remain steady and as low as we can make it.
2. Receiving a check for \$768K from the debt restructuring will also help us breathe this year.
3. Reviewing and setting waste water fees for a 10 year plan will help us create stability and plan ahead with no surprises to the public. Dan Jackson is ready to do this work now.
4. Reviewing Sanitation for financial performance, and considering how to best structure that enterprise for the best effective use of taxpayer dollars needs to begin. We are collecting and forming financial reporting now.
5. Soon we will approach Council to consider financial policy, which will set operational processes. In particular, procurement and reporting processes will be refined and will become more transparent. Having this in place will enable us to model revenues and expenditures into the future, so we can begin to plan our cashflows – this is absolutely necessary.
6. After financial policies are set, we will embark on a financial planning effort to create a program for the next 5 – 10 years based on adopted policy. I look forward to the creation of that plan, and the opportunity to perform on Council's goals year over year.
7. Particular focus on revenue sources, and ensuring that existing operations include appropriate cost recovery efforts will be a primary effort within the next budget year – and these thoughts will help guide staff recommendations to Council as we evaluate service programs and offer thoughts on how to tighten up financial performance on same. We will also be creating an inventory of municipal assets, including real estate, for Council's consideration. It may be in the public's best interest for the City to divest itself of some holdings.
8. Dialogue over the Naco Waste Water problem, and our status with EPA and NAD Bank continue to improve. Forming a project along these lines will help the environment, as well as the City. We have also been networking with the Mine, as well as the Cochise County Recharge Network – I am hopeful to show beneficial projects that help the environment as well as our finances in the next year.
9. Deployment of technology and software is also continuing, as is the effort to use existing tools in hand to the best possible effect. The departments are working to optimize and leverage tools as well as volunteers to greater effect. We are also focusing on our employees, to realign duties and position descriptions, and reset market values for same. We have already begun work on a compensation and classification plan, and look forward to finalizing that plan with Council this coming year. Hopefully as we improve our finances we will have the ability to fund this plan.

# Bisbee, AZ

Office of the City Manager

10. Lastly, we will be looking for additional, external resources to bring into Bisbee, to try and create more relief for our community's challenges. This would include services and support to low/moderate income citizens, as well as improvements to the City's infrastructures and public assets.