



"The mission of the City of Safford is to make Safford
a great place to live, work, and visit"

**CITY OF SAFFORD - REGULAR COUNCIL MEETING MINUTES
MONDAY, MAY 14, 2012 @ 6:00 PM
PHELPS DODGE ROOM - LIBRARY**

PRESENT: Wyn "Chris" Gibbs, Mayor; Jason Kouts, Vice Mayor; Council Member's Ken Malloque, Mary Bingham, Jacque Attaway, Gene Seale, and Arnold A. Lopez.

STAFF PRESENT: David Kincaid, City Manager; Sandra Findley, Executive Secretary; Christine Fisher, Personnel Director; John Griffin, Police Chief; Don Knight, Director Management & Budget; Ann Waite, Finance Director; Jan Elliott, Library Director; Randy Petty, City Engineer; Dustin Welker, Planner/Downtown Manager; Eric Buckley, Utilities Director; Marion Gauna, Lead Staff Accountant; Kim Larkey, Information Processing Supervisor; and Georgia Luster, City Clerk. Sam Napier, IT Lead Specialist, and Dale Clark, IT Support Specialist, assisted with the audio/video recording of the meeting.

OTHERS PRESENT: Steve McGaughey, Kenny McKinney, Raymond Lonser, Jeff Hitchcock, Valerie Buckley, Chad Crockett, James Bryce, Ed Ragland, James D. Howes, and Richard Ortega. Kelly Van Sharr video recorded the meeting.

- 1. WELCOME AND CALL TO ORDER:** Mayor Gibbs called the meeting to order at 6:02:47 P.M.
- 2. ROLL CALL:** A quorum of the council was present (7).
- 3. PLEDGE OF ALLEGIANCE TO THE FLAG:** Mayor Gibbs led the Pledge of Allegiance to the Flag.
- 4. OPENING PRAYER:** Vice Mayor Kouts offered the opening prayer.
- 5. CITIZEN COMMENTS ON AGENDA ITEMS:** Jim Howes and Richard Ortega submitted forms to address the council. Mayor Gibbs said he would call on them during the discussion of the item(s) they wish to address.
- 6. CONSENT ITEMS:** The Mayor and City Council may wish to consider approving Items 1 through 11 as Consent Agenda Items.

1. April 9, 2012 Council Minutes, April 16, Work Session/Special Council Minutes, April 23 Work Session Minutes, and May 7, 2012 Council Meeting/Work Session Minutes.
2. Police Report
3. Building Inspection Report (March amended & April)
4. Public Works Report
5. Business License Report
6. Library Report
7. Utilities Consumption Report
8. Summary of Projects Planning and Grants Administration
9. Airport Report
10. Prosecution Report (March & April)
11. Expense Over \$5,000 Report

It was moved by Council Member Attaway, seconded by Councilman Malloque and carried unanimously (7) to accept the consent agenda items as presented.

MOTION

ADOPTED

7. **PURCHASING CARD REPORT:** Consideration and approval of Purchasing Card Report for 1/21/2012 through 2/20/2012.

It was moved by Councilman Malloque, seconded by Council Member Attaway and carried unanimously (7) to approve the Purchasing Card Report as published.

MOTION

ADOPTED

8. **(AMRRP) AWARD:** Arizona Municipal Risk Retention Pool Award of Excellence In Recognition of Outstanding Achievement and continued Excellence in Risk Management and Control of Losses. **INFORMATION**

City Manager Kincaid announced that the City received a Silver Award from Arizona Municipal Risk Retention Pool. The City of Safford is in the top 20 of 75 members in controlling its risk and loss. Mayor Gibbs presented the plaque.

9. **PLANNING AND ZONING COMMISSION APPOINTMENT:** Recommendation by the Planning and Zoning Commission to appoint Chad Crockett to the Planning and Zoning Commission to fill the vacancy left by Chairman Ray Tuttle.

Chairman Tuttle's term was due to expire on 3-30-2013 and Mr. Crockett would be expected to fill the term until that date at which time he would be eligible to seek reappointment.

City Manager Kincaid stated that the vacancy for the Planning and Zoning Commissioner position was advertised and two applications were received. The Planning and Zoning Commission recommends appointing Chad Crockett.

It was moved by Council Member Attaway, seconded by Council Member Bingham and carried unanimously (7) to approve the recommendation by the Planning and Zoning Commission to appoint Chad Crockett to fill the vacancy of the Planning and Zoning Commission to fill the term of Ray Tuttle due to expire March 30, 2013.

MOTION ADOPTED

10. **ANNUAL AUDIT AZPOST REPORT:** Safford Police Department received successful Arizona Peace Officer Standards and Training Annual Audit.

City Manager Kincaid informed the Council that the Safford Police Department received a successful Arizona Peace Officer Standards and Training Annual Audit.

11. **RESOLUTION NO. 12-015 - JOINT USE OF FACILITIES:** The Mayor and City Council may wish to consider, approve and adopt Resolution Number 12-015, a Resolution of the City of Safford extending an Intergovernmental Agreement between the City of Safford and the Safford Unified School District for Joint Use Facilities and authorizing the Mayor execute such.

City Manager Kincaid stated the program allows the City to use the school facilities for certain city activities. The IGA is an annual agreement between the City of Safford and Safford Unified School District.

It was moved by Councilman Malloque, seconded by Council Member Bingham, and carried unanimously (7) to approve and adopt Resolution Number 12-015, a Resolution of the City of Safford extending an Intergovernmental Agreement between the City of Safford and the Safford Unified School District for Joint Use Facilities and authorizing the Mayor execute such.

MOTION ADOPTED

12. **RESOLUTION NUMBER 12-016:** Consider approving and adopting Resolution

Number 12-016, a resolution of the Mayor and City Council of the City of Safford, dissolving the Mayor's Historic Restoration and Preservation Committee and rescinding resolution number 06-009.

City Manager Kincaid said this resolution is asking the council to consider dissolving the **Mayor's** Historic Restoration and Preservation Committee. He noted resolution number 06-009 was adopted in 2006 creating the committee. Under the true auspice of the city, it does not appear this committee ever met; although, it does appear they met in various forms since that point and time. It is necessary to allow the City to not have the confusion between what this committee may be and the public committee that is not under the auspice of the city of Safford.

Jim Howes recalled when the committee was formed and asked what was accomplished during the tenure of the **Mayor's** Historic Restoration and Preservation Committee. He also asked if members of the Council were designated to serve on the committee. (Yes)

Mayor Gibbs stated that he feels it is necessary to rescind the resolution that did create the committee as a sub-committee to the council because at some point it becomes confusing as to monies and or property ownership which could become an issue with the old theater shortly. The committee does still meet and will continue in their efforts.

It was moved by Council Member Attaway, seconded by Councilman Malloque, and carried unanimously (7) to approve and adopt Resolution Number 12-016, a resolution of the Mayor and City Council of the City of Safford, dissolving the **Mayor's** Historic Restoration and Preservation Committee and rescinding resolution number 06-009.

MOTION ADOPTED

13. **LIBRARY POLICIES:** The library advisory board and staff are requesting the consideration and approval of the following two revised library policies: Interlibrary Loan and Claims Returned or Claims Never Had; and, one new policy: Petitions, Leafleting, Solicitation.

City Manager Kincaid reminded the Council that the proposed library policies were reviewed by the Council in a work session last month.

It was moved by Councilman Malloque, seconded by Council Member Bingham, and carried unanimously (7) to approve two revised library policies: Interlibrary Loan and Claims Returned or Claims Never Had; and, one new policy: Petitions, Leafleting, Solicitation.

MOTION ADOPTED

14. **OFF TRACK PARIMUTUEL WAGERING LICENSE FOR CHALO'S LA CASA REYNOSO:** Consider and approve a request by Turf Paradise to renew its Off-Track Parimutuel Wagering license for Chalo's La Casa Reynoso at 611 6th Avenue, Safford, Arizona. The term of the license for Chalo's La Casa Reynoso will be valid from June 1, 2012 through May 31, 2015.

City Manager Kincaid asked the Council to consider tabling this item to a future date until additional information is gathered to renew its Off-Track Parimutuel Wagering License for Chalo's La Casa Reynoso.

It was moved by Councilman Malloque, seconded by Council Member Attaway and carried unanimously (7) to table Item 14, a request by Turf Paradise to renew its Off Track Parimutuel Wagering license for Chalo's La Casa Reynoso.

TABLED

15. **LINE ITEM BUDGET:** Discussion of converting to a Line Item Budget.

City Manager Kincaid stated Councilman Malloque requested the item to discuss converting to a line item budget. At this point, he deferred comments to Councilman Malloque to hear his exact requests.

Councilman Malloque stated he requested the item because he has struggled with the budget process since becoming a council member four years ago. He stated that he understands the process and why we do it. He commented that he believes the way we do the budget is deceptive. He has had several residents approach him saying they do not understand the budget process. "There are things that are not accurate. I am reminded of that when we talk about things like the Golf Course and what does it really cost for the city of Safford to operate the Golf Course. There really isn't a clear definitive answer because, like I said I understand why we do it; but we put in interdepartmental charges, motor pool charges, and each and every department gets charged those things when in fact it's just building the budget which is not accurate." He stated that he asked David when he first got on the Council if we could look at changing the budget. He

would like to see a single line item budget so that we actually know what the true costs are for each one of these projects and for each of the departments. He believes there is a better way of doing this to where the public understands it too.

City Manager Kincaid stated that the budget is a line item budget. He believes what Mr. Malloque is referring to is the internal service charges of which internal service funds are included within that line item budget. He pointed out the City has done a line item budget with internal service charges since 1992.

Councilman Malloque commented that he is referring to motor pool charges too. The City of Safford must come up with a way of paying for new vehicles, maintenance and insurance of all the vehicles. He referred to the Public Works budget session when he quickly added up motor pool charges of \$553,000 for that one department. He would like to see a budget where we know what is being requested and what those costs are and that we can move forward with some honesty and integrity doing that.

Mayor Gibbs stated he is not disagreeing with Councilman Malloque, but would like to consider a work session to have staff describe those items. He stated he has no trouble with the budget the way it is. He asked each of the council to comment.

Councilman Lopez asked for clarification concerning what type of budget the city had prior to 1992.

Councilman Malloque stated that he does not know what type of budget was changed from. But, the budget process, as I see it, **“those** numbers are not to be trusted because we **don’t** actually have those expenses. Those expenses, if you look at, for instance internal service charges, each department gets hit with internal service charges, which would be okay if that was their budget, if that was the full funding; but the internal service people, they have their budget, so in **essence that’s double billing-it’s funny money to me. I’ve said that since day one.”**

City Manager Kincaid stated that when he and Councilman Malloque initially had this discussion, Councilman Malloque was extremely concerned about a transfer that occurred in FY 2008-2009 when approximately \$775,000 to your words **‘magically appeared’** to allow certain things to occur. Internal Service charges had no bearing on that transfer of funds. What occurred in FY 2008-2009, was through the direction of city management and by approval of the Council, certain

percentages were increased on the utilities transfer to the general fund. Therefore, in 2008/2009, \$2,532,000 was transferred from utilities to the general fund. Under the direction with members of this Council, through some policy decisions made, that number has been reduced from \$2.5 million to \$975,000 in 2011/2012. Those are the more realistic percentages and charges that was moved from utilities to the general fund. The internal service charges have a very complex formula that is gone through to establish the internal service charges. Those internal service charges have essentially not changed since that 2008/2009 year. I think when Councilman Malloque talked about the 'funny money' it was the size of the utility transfer to the general fund that created the aura in some council's minds, that the utilities were being unfairly targeted and possibly that reason being then the utility rate adjustments had to occur back at the point and time. With this decline of approximately \$1.55 million in those transfers it is paramount that we capture the full amount of the utility and enterprise funds use of general government services, or the general government would be unduly hurt and the utilities would be looking at an uneven playing field, in terms of what the true cost of utilities are in relationship to what our fees and charges are for those utilities. We are fully prepared this evening to go through a very in depth presentation on the internal service charges/motor pool charges.

Councilman Malloque stated that the general public and I have heard it specifically about the Golf Course, we said our costs to run the Golf Course are five hundred and something thousand dollars a year. The general public have come to me and complain about a frontend loader **that's** never being used and you are charging motor pool charges against that and **there's** a whole bunch of stuff out there that are not being used. **That's** what I'm hearing. The general public is saying there is something funny going on. I know that you are well prepared, but I have asked for this for going on for four years, and would like to see us go back to an X amount of dollars for the year. We have to have some reserve funds.

City Manager Kincaid explained that the motor pool area is on a pay forward policy as opposed to a pay behind policy which has allowed us to make purchases and major purchases, we are able to purchase by cash. The idea is to limit the debt and to limit the borrowing or leasing as much as possible. Without this pay ahead mentality the city would be leasing or bonding many of our major purchases which truly increases the cost of government as opposed to decreasing the cost of government. In essence, what happens from a fleet standpoint, when a new vehicle is purchased a life is assigned to that vehicle

depending upon what the vehicle is and is used for. In addition, a depreciation cost or sales costs will be assigned that will be taken into formulation and create a lease payment, so when that vehicle needs to be replaced years from now, the cash is in that account. For example FY 2011/2012, it allowed us to purchase two new fire trucks; otherwise, the City would have been hard pressed to take \$663,000 from the general fund to purchase those trucks. Also, significant discounts were applied because the City paid cash.

Vice Mayor Kouts commented that during the last budget sessions he had staff tell him they were very disappointed with the way they were made to design their budget. With that, it shows there was a flaw there. So when staff or some of the staff feels that way, then of course we need to start looking into it. I support Mr. Malloque with this line item budget, one hundred percent. When you **don't** have one hundred percent of the staff on board, you have to start questioning, are we truly doing the best for the City as a whole.

Council Member Attaway stated that she knows that some cities do it like this and I know that some cities **don't** do it like this. I know that the county does not do it like this. The fire trucks would be something different. You would have to keep contingency line items on those departments that have big purchases out there like the fire department. I personally think the budget is confusing and I have told David that since I've been on the Council. **It's** not a true, actual line item budget when it comes to the motor pool and the internal charges, **it's** very confusing. I even went to a workshop in Phoenix with Ann to understand the budget process. Actually, that is where I learned that some cities do it like this but some cities **don't** do it like this. Personally, I would like to see it be actual figures. It probably will take a bit more work on staff to work on a contingency line item of departments that need large purchases, like the fire department, maybe some large equipment. I have also heard staff complain during the last budget hearing and I know their budget was changed - some of those items were taken out of it to make it actual and yes, I have had people in the community talk about the golf course because it is such a large thing right now, about the budget out there. **It's** confusing to the public too. She believes it would be easier on the Council, the public and maybe the staff if we could make it an actual budget.

City Manager Kincaid reminded the Council that no budget is actual. All budgets are projections of what is to occur during the future year. What we attempt to do is take actual from historical information, understand what those cost are, and try to project them forward. You refer to the golf course as an example. The golf

course used to be an enterprise fund; it was a money losing operation and so it got moved out of an enterprise fund because typically, enterprise funds are revenue producing or profit making. The golf course, I guess the question becomes, should the golf course, which obviously has been subsidized by the general fund over the years, look to what its true costs are? Yes, if they had a backhoe they **weren't** using it would be moved out of the golf course and taken out of their inventory. Obviously, they felt that over the years they needed that backhoe. They do use the backhoe, they move sand on a regular basis and top dress greens. They do a variety of things where they use that piece of equipment.

I'm not sure, maybe nobody saw it being used. But, who would maintain the computers, maintain the cash registers, who maintains the phone, where do those charges, or do they just get absorbed by the general fund and then from the utility standpoint, do the meter reading cost spread those across? Who **doesn't** use this type of funding - those who do not have utilities. Remember, we are extremely unique because we operate six enterprise funds which are extremely unique. Mesa is one of the cities that are probably pretty close in line with us. They use internal service funds for the very same reason - they need to fully understand the costing of their full department so that they can equitably develop a rate structure. He referred to allocating certain large purchases - to get into a dual accounting system is: a) would be archaic, and, b) not real practical especially when auditing and moving forward. Because we use internal service charges for all of the utilities, the enterprise funds; internal service charges really should be used for all other funds so that you have that equitable distribution and are able to get economies of scale because we cross-utilize staff. For example, if you live in Thatcher, you would have three meter readers: Thatcher meter reader for electric; City of Safford meter reader for water and Graham County Electric Coop meter reader for gas. Through the internal service funds we are able to distribute charges for a single meter reader across all three utilities, customer billings. If you had billings just for utilities, you lose out on the economies of scale of billing for your trash collection, for billing for airport services, so that you **don't** have to have separate billing areas and lose that economy of scale. We are able to portion those cost equitably across all of those funds.

Councilman Malloque commented that by doing that, you do not have a clue as to what your real costs are for each one of those divisions. He made a motion to adopt a line item budget and to dissolve the current budget system. Vice Mayor Kouts seconded the motion.

City Manager Kincaid stated that staff will need much more direction to

encompass the nuts and bolts of the motion.

Vice Mayor Kouts suggested a work session.

Mayor Gibbs stated that it has been moved and seconded. Although, he stated that he is not sure he understands because we have a line item budget now.

Councilman Malloque replied that we do, but we **don't**. "I want to dissolve the funny money. I want to dissolve the motor pool charges. I know that government operates totally different than private enterprise; but I can tell you in my previous life, we could account for every penny for a \$12 million dollar project at any given day. I knew exactly what was allocated for each area of that project and seems to me, like with the golf course, and everything else, we really **don't** have a clue as to what our costs are.

Mayor Gibbs commented that several people have brought up the golf course as an example. First of all, the City does not have that item now, so **it's** not even a discussion whether or not there is funny money out there. He is concerned to dissolve the present system and to change to another system because it is a very labor extensive process.

Councilman Malloque stated he has been asking for a line item budget for four years. Can we call for the vote?

Vice Mayor Kouts - call for the question.

Mayor Gibbs stated that he has called for comments and he is commenting first. He stated that he believe everyone should consider how difficult of a choice it is to make a decision to change an entire accounting system overnight. Since the tentative budget is due to the state by July 9th he is not sure this is the time to be making such a decision.

Councilman Seale commented that he has had mixed feelings about the budget and we have had conversations before in meetings. It is difficult when you look at the size of the budget and then how much we know that we **don't** actually expend that much because of the other charges. He met with David two or three months ago and he gave me a copy with internal service charges removed. It actually gave me a lot better picture of what the actual expenditures are in the city. I **don't** remember what year it was, it could have been in 1992, but **it's** been quite some

time ago, our fire department budget at that time was \$100,000. The City adopted the motor pool, and overnight our budget went from \$100,000 to I believe was \$180,000 (**don't** remember much about 20 years ago). I really **wasn't** in favor of that, but, the things that concern me, 1) we do have the money to buy fire trucks, garbage trucks, those types of things we need because that money has been set aside in a fund directly apportioned to those departments. I also can see a concern of those moneys out there that are not dedicated being spent on things that are not necessary. I can see the benefit of having those moneys set aside so that when they are dedicated for those purposes, used for and are not raided for other reasons. I agree that we need to take a look at this; but personally I worry about the timing at this time of the year. I personally do not feel good about making such a large change without being able to ask some very specific questions on how these things will be affected.

Councilmember Attaway asked Councilman Malloque to consider changing his motion to consider holding a work session with staff to look at changing the process.

Councilman Malloque stated that he knows it will be a big undertaking. Gene is absolutely right, those funds should be set aside to do those things; but that **doesn't** mean in a single line item budget we still **can't** have those funds set aside for each one of those acquisitions. It just means that we are looking at our costs and we know what money we are setting aside. He stated that he wants his motion to stand.

Councilman Lopez stated that he has trouble with the clarity of it too. He would like a work session also to see examples to see how it does work. I want to see the clarity too, where the money is going, and to be able to explain it to the lay person on the streets. But, changing the process at this time, I'm more for a work session so that we talk about it more.

Vice Mayor Kouts asked Councilman Malloque if he would be willing to amend his motion to continue the budget process the way it is this year; but after this budget year, a line item budget would be done.

Councilman Malloque stated that he would amend his motion to continue to finish the budget process as is because it is a big change and will be difficult, and next year adopt a single line item budget.

Councilmember Bingham asked if the budget has always been done this way. What did they do and why did they change?

City Manager Kincaid stated it was 1992 when the internal service charge of allocation of funds was implemented. It appears that at that time a better cost allocation was necessary because of rate structures needed for the utilities. Understanding the motion to some extent, there is no clarity to it in terms of: What does it mean? How do we charge the utilities for all of the general services that are used across the various departments? He recommended a council study, subcommittee of the city council, to work with the staff to a date certain to come back with the parameter of what is truly meant by a line item budget and taking out the motor pool funds or the internal service funds. He believes a committee would bring more clarity of what the council is looking for.

Vice Mayor Kouts asked for clarification regarding a date certain - July 9th be prepared to switch from the current budget process to the new budget process and have staff work with the new council as a liaison to proceed with new budget system. **That's what I'm seconding.**

Mayor Gibbs clarified the motion - Change the budget system after this budget cycle even without any more discussion about changes.

Councilman Seale commented that he agrees that the budget process needs to be reviewed and made easier for everyone to understand. However, he stated that he cannot vote for something unless he sees what the proposal is going to be. We have no proposal at this point.

It was moved and amended by Councilman Malloque, seconded by Vice Mayor Kouts and carried 5-2 to proceed with the current budget process; after presenting the FY 2011/2012 budget to the State, form a council/staff committee to review and change the budget process to a line item budget. Mayor Gibbs and Councilman Seale opposed. **MOTION ADOPTED**

16. MEETINGS/ACTIVITIES HELD BY COUNCIL OR CITY STAFF:

City Manager Kincaid announced that Governor Brewer signed House Bill 2826, Consolidated Elections. The City's election cycle will change sooner than expected. This change will extend the terms of office to November of 2014 for those councilmembers and the mayor who currently have two years left to their term.

17. COUNCIL OR STAFF REQUESTS FOR AGENDA ITEMS:

Vice Mayor Kouts - Place the Boys and Girls Club on a work session to present issues they are having.

18. CITIZEN COMMENTS ON NON-AGENDA ITEMS: Jeff Hitchcock, 1207 West Drive, Safford, AZ: Mr. Hitchcock addressed the Council concerning giving consideration to changing the Municipal Code to allow citizens to opt out of trash collection fees in non-occupied dwellings.

Richard Ortega, 1795 S. 2nd Avenue, Safford, Arizona: He commented that he met with and held an informal evaluation and review with Mr. Kincaid a couple weeks ago. He felt the discussion was necessary because he worked with Mr. Kincaid during some difficult times when he was previously on the Council. He stated the discussion between them was a frank and good discussion. He believes Mr. Kincaid is doing a good job and is impressed with his management of the City.

It was moved by Councilman Malloque, seconded by Council Member Bingham, and carried 6-1 to adjourn to executive session at 7:01:45 p.m. Vice Mayor Kouts opposed. **MOTION ADOPTED**

19. EXECUTIVE SESSION: The Mayor and City Council may enter executive session, pursuant to Arizona Revised Statute **§38-431.03(A)(1)** for discussion of employment and performance evaluation of City Manager, David Kincaid. The City Council may adjourn executive session to enter regular session to take action regarding performance evaluation of City Manager, David Kincaid.

The Council adjourned executive session and reconvened regular session at 7:27:55 p.m. There was no action taken by the Council in regular session.

20. ADJOURN: It was moved by Vice Mayor Kouts, seconded by Councilman Malloque, and carried unanimously to adjourn the meeting at 7:28:03 p.m. **MOTION ADOPTED**

APPROVED:

Wyn "Chris" Gibbs, Mayor
City of Safford

ATTEST:

Georgia Luster, MMC
City Clerk

CERTIFICATION

STATE OF ARIZONA)
) ss
County of Graham)

I hereby certify that the foregoing minutes are a true and correct copy of the Regular Council Meeting of the City of Safford, Graham County, Arizona held Monday, May 14, 2012, and approved at a Regular Council Meeting on June 11, 2012. I further certify the meeting was duly called, held and that a quorum was present.

Dated: June 11, 2012

Georgia Luster, MMC
City Clerk