



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

**CITY OF SAFFORD CITY COUNCIL WORK SESSION MINUTES
TUESDAY, JULY 5, 2011 @ 6:00 PM
ANNEX COMMUNITY ROOM**

PRESENT: Wyn “Chris” Gibbs, Mayor; Councilmember’s Danny Smith, Mary Bingham, Gene Seale, Ken Malloque and Jacque Attaway.

MEMBERS ABSENT: Jason Kouts, Vice Mayor

STAFF PRESENT: David Kincaid, City Manager; Don Knight, Director Management & Budget; Ann Waite, Finance Director; John Griffin, Police Chief; Christine Fisher, Personnel Director; Eric Buckley, Utilities Director; Rob Chesley, Public Works Director; Randy Petty, City Engineer; Jan Elliott, Library Director; Kim Larkey, Information Processing Supervisor; Tisha Clark, Accounting Specialist; Michael Faunce, Materials Management Supervisor; James Bryce, Utilities Electrician; Georgia Luster, City Clerk. Sam Napier, I.T. assisted with the audio/video recording of the meeting.

OTHERS PRESENT: James D. Howes, Steve McGaughey, Kenny McKinney, and Valerie Buckley.

1. **WELCOME AND CALL TO ORDER:** Mayor Gibbs called the meeting to order at 6:00 p.m.
2. **ROLL CALL:** A quorum of the Council was present (6-1).
3. **PLEDGE OF ALLEGIANCE TO THE FLAG:** Mayor Gibbs led the Pledge of Allegiance to the Flag.
4. **WORK SESSION:** Discussions throughout the Work Session may include, but not limited to the following topics:
 1. Review of Current Revenues/Expenditures
 2. Review of Future Projected Revenues/Expenditures
 3. Presentation on Distribution of Utility Fund 88 into the individual utility funds (landfill, water, wastewater, gas & electric).

Work Session Minutes
July 5, 2011

Page 2

4. Electric Utilities and Power Cost Adjuster
5. Water, Capital Expenditure and Impact Fees
6. Boys and Girls Club
7. Management and Budget
8. Information Processing
9. Citizens Services
10. GIS
11. Materials Management
12. Fleet Management

City Manager Kincaid stated revenues and expenditures seem to be on track for Fiscal Year 10/11. However, in both general government and utilities, FY 11/12 budgets are being presented with slight excess revenues over proposed expenditures. He reminded the Council that the Tentative Budget must be adopted by July 11, 2011 per State Law. Once the Tentative Budget is adopted, the budget may not be increased, but may be reduced.

A General Government Summary was reviewed. He pointed out that significant cuts have been proposed in the Boys and Girls Club and on the utilities side of which significant changes have been proposed in the electric utility and water capital.

Mr. Kincaid distributed a memo regarding the re-distribution of Fund 88 into individual utility funds (landfill, water, wastewater, gas & electric). He explained in 2002 the City combined all of its utility funds into one fund, Fund 88. He stated that Ann Waite and Don Knight have gone back and “**unbundled**” nine years of utility activities to re-allocate funds to each individual utility fund. A recap indicating the split of utility funds was reviewed. He noted that it has been very difficult to split water and wastewater funds. After closing out this year, the intent is to identify cash reserves in each utility fund and not conglomerate those funds into a single fund. Ann Waite commented that the detail of how the funds were separated is available for the Council to review if they wish.

Mr. Kincaid briefly reviewed the electric utilities and power cost adjuster. He noted that the long term prospect and basis for electric rates seem to be fairly stable at this point. But, short term, the City will expend \$2.4 million in order to meet capital needs in respect to the SPPR Agreement, Co-Op buy-out and one-year re-conductoring of the 69kV line. He noted that the average power cost adjuster from October of 2010 through March of 2011 is approximately 2.3 cents. Therefore, the Council will need to provide direction regarding a short term (12 month period) commitment stabilizing the power cost adjuster so that the City can secure the benefits of an extremely and abundant hydro-electric power supply at a very low rate. Therefore, there will be no need to consider increasing electric rates at this time. After the twelve month period, it is recommended to project a stable projection rather than a lagging twelve month rolling average. He noted that the **City's** power cost adjuster changes every single month which is based on cost of power and variety of other things. K.R. Saline recommends a power

cost adjuster fixed at 2.3 cents which will generate about \$480,000 in additional revenue. He did explain that approximately \$40,000 may need to be used from reserves this fiscal year.

Landfill: There was discussion regarding the City having sufficient landfill land (20-30 years left) and Landfill closure fees. Mr. Kincaid noted that \$50,000 a year is currently being budgeted for closure fees of the landfill which is not enough even over a 20-30 year period.

Water: Mr. Kincaid noted that financially over the long/medium term, water is in the most precarious position based on the rate structure because the capital built into the budget had significantly different rate assumptions that we are under today (County and Thatcher residents). Projected water rate revenues indicate a declining trend. The system actually cost more to operate it currently than what it did two years ago because of the debt service on the water tanks and improvements made to the system. Water rates are driven by water usage, but yet conservation of water is being encouraged which impacts the bottom line because fixed costs do not increase but may increase due to pumping expenses.

Water capital and impact fee: Discussed utilizing and expending impact fee funds. Projects have been identified and placed on an accelerated schedule this year. Although, it is doubtful all projects will be completed this year, but will be carried over to the next fiscal year. He noted a good portion of those improvements include the upgrade of the Bonita Water line: Phase 1 has been awarded; Phase II is the Colonias Project (\$1.3 million - upgrade water line in Solomon); Phase III & IV - upgrade Bonita 12 inch water line; Morris Well Cluster/8th Ave Bridge upgrade engineering; Thunderbird Tank Replacement and other impact fees have been identified.

Boys and Girls Club: Budget was compiled based on discussions with Council. He explained options within the budget to consider: 1) Complete summer program through August of this year; 2) Operate only summer program in future years by contract. Recommendation is a combination of both which includes the completion of the summer program through August. The current budget is \$233,595 or for Fiscal Year 2011/2012 a proposed budget of \$130,000 based on what the Club presents if approved by the Council. There was discussion concerning attendance at the Club, expenses of the Club, constituents not wanting to fund individuals not living within the limits of the City, and the Club becoming self-sufficient as stated last year. The Council asked that the Boys and Girls Club budget be presented to the Council in the Fiscal Year 2011/2012 budget with a couple of options: Option 1) Boys and Girls Club will complete summer program through August 2011; or Option 2) Boys and Girls Club become LLC and consider outside contract resulting in the City of Safford providing minimal resources such as providing the building, playground rental expense (Heavy Owens owns this property), and City will pay property insurance (city-owned building). If an external contract is not complete by the end of the summer program, unexpended funds within the Boys and Girls Club **budget will be rolled back into the City's budget.**

Management and Budget: Mr. Kincaid commented that there has been some lack of

policy direction from this Council and a lot of discussion about the preparation of future budgets. Therefore, it is suggested to invite Heinfeld Meech and Co. (**City's** accountant and auditor) to provide a presentation at a future work session regarding the use of, and the pros and cons of Internal Service Funds/Charges as it relates to municipal government. The intent is to provide the Council ample opportunity for questions and dialog that will assist with developing a budgeting policy for the preparation of future budgets. Ann Waite is working with the auditor to schedule a future presentation.

Councilman Seale asked to see the bottom line of how much the City expended verses actual budget in Fiscal Year 2010/2011. Don Knight commented that actual expenditures are provided through March. However, expenditures lag but will be accounted for once the year end budget is closed out. Ann Waite stated an end of the year accounting may be provided to the Council in mid-September. At that time, all expenditures should be received and accounted for.

The following budgets were reviewed:

- Management and Budget
- Information Processing. Mr. Kincaid noted that the Supervisor position was not filled upon the retirement of Zoretta Lopez. However, the Information Processing Supervisor assumed the role of supervisor in the Citizens Services (Cashiering) Division.
- GIS
- Citizen Services - Cashiering and Landfill Attendants (re-organized job descriptions and cross-training employees)
- **Field Services - meter reading, field service turn-ons/turn-offs**
- Materials Management - Warehouse; Capital budget increased; Reviewed warehouse inventory. Staff is constantly analyzing the operations of the Warehouse in an attempt to minimize expenses, but yet have supplies on hand for staff when needed.
- Fleet Management - Capital budget expenditures increased because of the need to purchase two new fire trucks.

Councilmember Attaway commented about an article in Eastern Arizona Courier quoting the Mayor and Councilman in relation to a letter that was to be issued to the FireDepartment. She encouraged the Council to be more professional and united and to funnel media information through the City Manager.

Mr. Kincaid reminded the Council that the next Council Meeting will begin at 6:00 p.m. on Monday, July 11th as adopted by Council. He reiterated to the Council that the Tentative Budget must be adopted per State Law no later than July 11th.

5. **ADJOURN:** It was moved by Councilman Malloque, seconded by Councilmember Attaway, and carried 6-0 to adjourn regular session at 7:47:27 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 true and correct minutes of the City of Safford Council Work Session of the City of Safford, Graham County, Arizona held Monday, July 5, 2011, and approved at a Regular Council Meeting on September 12, 2011. I further certify the meeting was duly called and held and that a quorum was present.

Dated: September 12, 2011

Georgia Luster, MMC
City Clerk