



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

**CITY OF SAFFORD - COUNCIL WORK SESSION MINUTES
MONDAY, JUNE 25, 2012 @ 6:00 PM
PHELPS DODGE ROOM - LIBRARY**

PRESENT: Wyn “Chris” Gibbs, Mayor; Mary Bingham, Vice Mayor; Council Member’s Ken Malloque, Gene Seale, James D. Howes, and Arnold A. Lopez.

ABSENT: Councilman Richard Ortega

STAFF PRESENT: David Kincaid, City Manager; 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; Jenny Howard, Projects Management Specialist; Tisha Clark, Accounting Specialist; Glen Orr, Police Officer/Detective; James Bryce, Utilities Electrician; Kim Larkey, Information Processing Supervisor; and Georgia Luster, City Clerk. Sam Napier, IT Administrator and Dale Clark, IT Support Specialist, assisted with the audio/video recording of the meeting.

OTHERS PRESENT: Raymond Lonser, Silvia Lopez, Steve McGaughey, and others who did not sign in.

1. **WELCOME AND CALL TO ORDER:** Mayor Gibbs called the meeting to order at 6:01:42 p.m.
2. **ROLL CALL:** A quorum of the Council was present (6-1 absent)
3. **PLEDGE OF ALLEGIANCE TO THE FLAG:** Mayor Gibbs led the Pledge of Allegiance to the Flag.
4. **OPENING PRAYER:** Councilman Seale offered the Opening Prayer.

Mayor Gibbs moved Item 7 (Boys & Girls Club) to the end of the agenda for discussion so that the Council could hear and consider budget figures.

5. The League of Arizona Cities and Towns Annual Conference will be held August 28-31, 2012. Discussion to cancel/reschedule the August 27, 2012 Council Work Session. City Manager Kincaid stated this is the last scheduled work session before the adoption of the Tentative Budget, July 9th. He asked the Council to consider rescheduling or cancelling the August 27th work session because a majority of the Council will attend the League’s Annual Conference which begins Tuesday morning, August 28th.

It was the consensus of the Council to cancel the August 27th work session. If anything comes up, a special meeting may be called.

6. On May 22, 2012, the City requested proposals for the City's Financial and Compliance Audit for Fiscal Years 2012, 2013 and 2014. Three proposals were received. For discussion, staff is recommending the Council consider awarding Hinton Burdick for the amounts of: \$34,750(FY2012); \$37,250 (FY2013); and \$35,750 (FY2014). City Manager Kincaid stated proposals to conduct the City's Audit Services were requested this year. Three proposals were received. He noted this item is just a discussion item tonight, but will be brought back to the Council on July 9th for the Council to consider awarding these services. He complimented Heinfeld, Meech for doing the City's financial and compliance audit for the last twenty plus years. He said staff is recommending awarding the City's Audit Services to Hinton Burdick for a three year commitment. He believes a set of "fresh eyes" will be good for staff to go through the process. He stated the new firm may offer a different perspective on audit and reporting. Also, fees for conducting the audit are adequate. The award for Audit Services will be presented to Council for consideration and approval on July 9th.

8. Review of Current Revenues/Expenditures and Review of Future Projected Revenues/Expenditures. City Manager Kincaid presented a Summary of General Government Resources and Expenditures, HURF and Projects Management. He noted the largest source of revenue on the General Government side is City sales tax. Just under 1% growth is projected for this Fiscal Year. Actuals are predicted to be just short of the budget - Probably will be 1% to 1.5% below budget on actual revenue side. Staff consider it safe to budget a small increase in sales tax revenue based on trends over the last two or three months. A 4% increase is budgeted over last year's actual (2.5% - 3% over actual).

Property Tax: Mr. Kincaid stated approximately \$224,000 in revenues was received from property tax this year. Valuations are down throughout the County. If the revenue stream of \$224,000 is maintained, the tax assessment would be greatly reduced. About a seven cent increase in taxable assessment is necessary to maintain the same revenue stream of \$224,000. Last year the tax levy rate was .3744 as compared to this year's proposed levy rate of .4462. If the tax levy rate increases to .4462 in FY 2013, City residents would receive the same tax bill because valuations are down. He noted the City has not raised the tax levy and is well below the maximum rate as recommended by the State.

Don Knight pointed out that the maximum amount the City could budget is \$270,428 per State guidelines. Two years ago the rate reduced but revenues remained the same because evaluations were still climbing. This year evaluations dropped which requires the rate to increase to maintain the same revenue. Each rate is individualized depending

on property values.

City Manager Kincaid stated a budget of \$250,000 is being proposed which means the primary property tax rate would impact a \$100,000 property by \$4.40. In other words, increasing the tax levy to .4462 would maintain the same revenue stream as last year because valuations decreased.

Councilman Seale asked what it would cost tax payers if the levy remains at .3744 - how much revenues would be collected by the City? (Approximately \$190,000). Councilman Seale stated he is concerned for the residents receiving an additional tax. For example, if the Library District is formed. However, if a Library District is formed, the tax would not be implemented until 2014. He has a concern because the economy for a lot of folks has not improved.

Councilman Malloque commented that he would like to lower the rate or retain the current rate even if the **City's** revenue stream is reduced because taxes are being increased by other entities.

City Manager Kincaid reminded the Council that the City still has to maintain services and operational expenses keep escalating. He encouraged the Council to at least consider "**treading** water and not fall backwards," but to consider recommending a higher levy rate just to maintain the same amount of revenue as the City received last year. He again pointed out that City residents will pay the same amount of tax based on their property evaluation.

Don Knight stated, for example Eastern Arizona College is increasing its property tax from \$2.14 to \$2.41 to where the City is proposing a .48 cent increase in property tax. He explained the Truth in Taxation as indicated on the state work sheet is being recommended - a minimum of \$224,000 plus \$3,500 based on new construction (total of \$227,500). Property tax rates per evaluation will remain the same as last year, but will add an additional \$3,500 because of new construction over last year. The work sheet indicates an increase to 0.4462 without increasing the tax levy.

It was the consensus of the Council to set the property tax levy at \$227,543 and .4462 for the 2013 tax rate.

9. Review proposed budgets for Water, Wastewater, Solid Waste, and Landfill and discussion of rates. City Manager Kincaid reviewed a Summary of General Government Resources and Expenditures for water, wastewater, solid waste, and landfill . Brief Summary below - (See attachment).

Resources Side:

Mayor Gibbs inquired about state shared sales taxes and state shared income taxes because the figures are significantly higher.

City Manager Kincaid explained those figures are provided by the State for budgeting purposes. Staff is concerned because figures are higher. He reviewed the following:

- Sanitation collections include a 3% rate increase that will be discussed further this evening. This increase was approved by prior Council and set to be implemented July 1, 2012. He noted collections are down.
- Street Budget - Auto Lieu Taxes was moved into the Street Division.
- Project Management Grants - Funds received from outside sources- Library Trust, Library Special Grants, Police Grants, Airport Grants & Airport Operations.

Budget for total government resources is \$19,771,054, which is down approximately \$1,007,373 about 5% over what was budgeted the previous year.

Expenditure Side:

City Manager Kincaid stated expenses are up 1.42% compared to revenues being up 1.44%.

- Reviewed expenditures of each Division
- Street expenditures: HURF, Operations, Capital Street Preservation & other capital
- Project Management expenditures include:

Completed last fiscal year 2011/2012:

Sidewalk Projects:

Energy grants: (replaced HVAC units of 3 buildings) Saved \$700 in electric utility cost as compared to last year and about \$1700 in gas utility cost.

Shared Use Path: cost \$124,000 with the City matching \$7,000; added .6 miles to a 5.4 mile path system.

KVA Line upgrade: should be in service mid-July at a cost of \$1.3 million

Fiscal year 2012/2013:

Will expend approximately \$5 million federal funds; City will match \$250,000.

20th Avenue: STP Funded - \$466,000 for design, environmental and right-of-way acquisition (City will match \$28,000), public meetings were held last April, held property owners meeting to discuss the right-of-way and how the roadway will affect them; doing right-of-way acquisition, but not widening out the right-of-way which will remain at 80 feet. Expect to complete next summer/fall. Construction is scheduled in 2016 - \$2 million project (City match \$109,000).

Shared Use Path: Just completed Phase V and designing Phase VI, completing NEPA, hope to approve in October, begin design and right-of-way acquisition. \$350,000 funds (City match \$21,000).

Main Street Project: NEPA documents submitted to SHPO for review, traffic signal which is safety project - \$120,000 for design and \$600,000 for construction; Main Street projects - improve five (5) intersections downtown, design phase and NEPA \$90,000 (City match \$5,000); construction cost \$572,000 of which City will match \$35,000; new traffic signals will be installed at the intersections of 5th, 6th and Central. Includes landscaping, benches, bike racks and trash receptacles. Construction scheduled for 2014.

Solomon Water Infrastructure Project: Grant from Department of Housing to replace existing water lines in Solomon; \$2 million project. Funding is not in the budget because it is County funds; requesting \$466,000 additional funds for mitigation plans of which the City will match \$90,000. Construction to begin in the fall.

Manhole Rehab Project: Program continues - installing corrosion resistant coating in manholes, mobilized last week.

Sidewalk Project: Transportation enhancement project on a state system. After City receives funds the state will take over the project-State will do design, environmental and construction. This project is a continuation of Phase I from Relation to US Hwy 70; \$295,000 federal funds and City match \$18,000.

Several Grant Requests:

Pursuing Water Exploration and Water Conservation Assistance Grants; Working with the Fire Dept. looking for various safety equipment grants; Seeking FEMA assistance - \$250,000 federal funds; looking at grants for Police and Fire Station facilities; looking at green and solar grants for wastewater treatment plant and to add solar panels for City wells, lights and additional electrical power.

About \$400,000 (\$26,000 City match) was expended last FY 2011/2012; Expended \$1.3 million in upgrade for power line coming in from the southwest; FY 2012/2013 expect to expend \$2.89 million for Colonias grant (City match \$161,000); Expect to expend an additional \$2.8 million -includes \$160,000 City match.

City Manager Kincaid noted general government has approximately a net loss of \$30,000 which includes the tax levy amount of \$23,000. He asked the Council to comment and provide direction to staff at this time. There were no comments. He stated the Tentative Budget will be presented to the Council on July 9, 2012. Additionally, he pointed out that the budget discussed tonight does not include any additional funds to the Boys & Girls Club and the Golf Course.

Utilities Resources and Expenditures:

Landfill: Mr. Kincaid stated the budget indicates a severe reduction in landfill revenues. There is a concern of not having enough funds for landfill closure. He also noted that Safford landfill rates are significantly lower than most landfill rates in the State. Staff is recommending the Council consider a less tiered structure and consider a flat structure where **all** trash loads will be charged \$35 per ton with a minimum \$10 rate. He pointed out that a \$35 per ton rate is still on the low side statewide. All landfill customers pay the same rate (Thatcher, Pima, and Graham County). The current rate per residential customer is a \$5.00 minimum with a \$10.00 per ton rate. The commercial rate is currently \$35 per ton and a “**tarped load**” fee is \$10.00. Mr. Kincaid also said that staff will define and become stricter with accepting “**tarped loads.**” At this time Commercial rates will not increase, but Council needs to be aware of the situation and consider increasing commercial rates in the future.

Landfill staff is experiencing “**commercial haulers**” claiming to be residential haulers to get the residential rate when they are actually commercial haulers. There is a need to structure a fee that is equitable for all customers.

Suggestions of considering rate structure included:

- Closing the landfill on certain days and shorten hours of operation.
- Concern of wildcat dumping becoming a concern if rates are increased.
- Increase commercial rates also.
- \$10/\$25 residential rate
- \$40 commercial rate
- Establish rate by weight
- Increase residential from \$5 to \$10 and based on weight
- Increase residential rate based on weight if over one ton
- Establish increasing commercial rates higher than residential rate

It was the consensus of the Council to increase the revenue side of the Landfill budget and not decrease the expenditure side of the budget. City Manager Kincaid stated budget figures will be adjusted for discussion at the July 9th meeting.

Water: Mr. Kincaid pointed out that the budget includes a 5% rate increase, approved by previous Council that becomes effective July 1, 2012. Additionally, he reminded Council that rate increases set by the 2006 rate study were rejected by previous Council. The whole water structure, long term, was based on a greater differential between residential and non-residential customers. For instance, Thatcher water customers were scheduled to go to a 50% differential

rate. However, through the water settlement agreement, Thatcher actually went from a 25% to 10% differential causing a revenue reduction in residential revenues. Also, County rates have been maintained at 25% instead of increasing to 50% set by previous Council. Therefore, over the last two years approximately \$600,000 in water revenues were not collected that was projected in the budget. Another point was made, as we encourage water conservation the revenue stream decreases because a good portion of our rate revenues is based on usage, yet fixed costs do not change and may increase. Mr. Kincaid stated staff is recommending Council allow the 5% automatic increase to go into effect July 1st and give direction to staff to undertake a new water rate study. He noted that the current rate structure is skewed by having our lowest use customers pay the highest percentage water fees and high use customers pay a much lower water fee which does not allow for a lot of water conservation. He pointed out that once a customer uses above 20,000 gallons, the rate does not change. For example, a customer using 30,000, 80,000 or 100,000 gallons of water does not pay more. Also, he noted impact fees may only be used for growth of the system and not for operation and maintenance of the system. The revenue budget is currently approximately \$100,000 up-side down in the water based on these projections. He noted the budget does include \$100,000 for exploring additional water sources outside of the bright line (river corridor).

Councilman Seale believes rate increases should not be implemented on an automatic basis, but the need should be demonstrated to the Council on a case by case basis. He believes the current Council should make the decision to increase rates.

Mr. Kincaid explained regulations require completing a rate study before water and wastewater rates may be implemented. Public Hearings are required in the process. It would be hard to complete a rate study on an annual basis. A study defines long term projections. He also discouraged the Council from becoming to rate conscious because all at once a significant increase may be necessary because of increased operational and maintenance expenses to keep the system going. He explained the intent of the rate study is not to increase rates but to look at restructuring in an attempt to make it more equitable for all customers.

It was the consensus of the Council to implement the 5% water rate increase and to direct staff to conduct a utilities rate/impact fee study.

A short recess was called at 8:14:59 p.m. The meeting reconvened at 8:27:26 p.m.

Wastewater: Mr. Kincaid reminded the Council that wastewater rates were reduced a couple years ago. However, he noted cost of operations continues to increase. The debt service remains stable, but the budget is currently in the red. He noted the Treatment Plant capital expenditures are necessary to keep operating the Plant more efficiently. He reminded the Council that the sand filters were replaced last fiscal year. A portion of this **year's** capital is to purchase a cover for those sand filters. The cover will protect the sand filters from the sun and prevent algae growth. Secondly, a rake and bar screen at the intake is needed to assist the

plant to run more efficiently. The Debt Service will be paid several years early because of funds received by the Federal Government. According to the GRIC Settlement, it is anticipated to recover \$3.3 that the City paid to WIFA on the wastewater debt. However, the process will be contingent upon the new congressional delegation. Senator Kyl is retiring who played an important role in the process.

Don Knight noted the wastewater capital expenditure allows the manhole rehabilitation project to continue.

Mr. Kincaid stated most costs are fixed costs. It will be a challenge moving forward.

Don Knight commented that if the City receives a payment from WIFA, those funds may be applied towards other debt service within the fund. It will help if we continue receiving funds after the loan is paid off; but, that will not happen for at least another two years. Otherwise, the Council may direct staff to use reserves in wastewater or consider including wastewater in rate study.

Gas: Mr. Kincaid stated the Gas budget is in the black. Rate revenues are up slightly. Purchased gas is down. Capital operational expenditures - \$130,000.

Electric: Mr. Kincaid stated the Electric budget appears to be in good shape and the debt service is stable. Capital expenditures includes funding the Graham County Electric Co-Op buyout (1/4 of \$1.2 million buyout & January 1st assume Wal-Mart in exchange for the Airport; and, funding for the SPPR Project (1/3 each year for 3 years)). He said staff is beginning to look at automated meter reading which would give the City and the customer the ability to control power use and cost by purchasing power on “**peak**” and “**off Peak**” times. Connections and disconnections are another advantage to automated meter reading.

Mr. Kincaid mentioned that staff is looking at ways to pay off some long-term debts at high interest rates. One proposal is to lend funds (borrow from electric fund) to the City to pay off the debt from the banks for the Industrial Building and main Airport hangar, and maybe the attorney building. The process would allow for a new amortization schedule paying the City a lesser interest rate that will relieve the burdens on those funds and generate income for the City that we are not currently receiving. Lowering the interest rates on these loans would generate some revenue and reduce the debt of general government. He noted that general government has not borrowed funds from the Utilities for two years. However, general government currently owes utilities \$1.9 million. General government subsidized HURF approximately \$3.9 million.

Don Knight stated that borrowing from the electric fund to pay those high interest notes would save general government about \$300,000 and its citizens close to \$500,000 in interest over the life of the loan.

7. Presentation of Boys and Girls Club Business Plan and discussion of budget for Boys and Girls Club.

James Bryce came forward and represented the Boys and Girls Club of the Gila Valley. He distributed and reviewed a Business Plan for the Boys and Girls Club of the Gila Valley. He stated that Tim Hatch prepare the Business Plan. The Business Plan included the following Sections:

- Executive Summary
- Objectives
- Mission
- Keys to Success
- Organization Summary
- Legal Entity
- Services
- Market Analysis Summary
- Website Marketing Strategy
- Fundraising Strategy
- Funding Forecast
- Management Summary
- Personnel Plan
- Income and Expenses

Mr. Bryce said that since our last meeting, the Club has acquired three new board members, Tim Hatch, Aimee Staten, and Mike Assum. Mr. Assum has a long history with the club and has been affiliated with the Boys & Girls Club in Monterey, California. He has over twelve years of board experience and knowledge about the Club. He is retired and is currently on vacation and will return in August. He reviewed the Funding Forecast of which the OJP grant normally funds up to \$25,000. However, this year that grant actually provided \$5,000 instead of \$25,000. He noted possible grants written and waiting to be submitted pending the Club receiving its 501(c) 3. Unfortunately these grants are not guaranteed. He stated the Club is asking the Council to consider providing an additional \$130,000 budget for 2013. He said it would be a safety net for one additional year allowing the grants to come to fruition. The effort is there and the effort will continue to pursue additional grants and fund raising throughout the years.

Mr. Bryce reviewed the income and expenses of the Club. He believes the Club has taken huge steps in the last twelve months attempting to become self-sufficient.

Mr. Kincaid stated the budget allocates \$42,000 to the Boys and Girls Club under the Council's budget (\$20,000, \$12,000 utilities & \$9,600 playground lease). He also noted that the City is donating the use of the building and allowing 25 members to swim at the swimming pool for free (\$50.00 daily).

Mayor Gibbs inquired about membership Fees.

Mr. Bryce replied, summer rate is \$85.00 and \$65.00 school semester rate. He stated his goal is to get back to a \$20.00 annual membership fee with community assistance and support. He asked the Council to consider budgeting \$130,000 for the Club this fiscal year giving them an additional year to get on their feet and to pursue grant funding.

Questions from the Council:

What is the capacity of the Club?

Answer: Capacity is currently at 150; during school year have the ability to double school time enrollment number of 65.

What is the status of 501(c) 3 and new staff? Appears team is building for success.

Answer: Pursuing 501(c) 3 status and excited about new board members.

What is the Club's current net income?

Answer: Approximately \$65,000. Believes funding will allow the club to continue to operate through December. They are requesting the Council consider funding the Club for the calendar year 2013.

Explain \$27,078.48 membership fees between August and now. Numbers do not add up.

Answer: Some numbers may have been donations. Income is correct. Allocations may be incorrect. Since August, the Club has received \$136,118.75 and expended \$149,852.27.

Estimated expenses for another year, is what?

Answer: \$150,000 -Take out grant writer. Will have increase in payroll and in process of putting together actual budget for January, but will not have complete expenses until the end of July. **"It's a work in progress really trying to get a handle on."**

What kind of support is the Club receiving from the parents (volunteering time, etc.)?

Answer: Very little.

Do you think that's an indicator of at risk children?

Answer: **"Absolutely**, and when you say at risk, **let's** not tag them at risk financially. At risk support, at risk characters. I **don't** care if their household income is at \$200,000 and their parents are not supportive, they are at risk and that is my target. **That's** the child I'm going after. **That's** what the Club was founded on and that's what we will continue to try to do."

Mayor Gibbs confirmed \$42,000 is currently budgeted in support of the Boys & Girls Club. After discussion tonight, he noted the current budget is approximately \$40,000 in the hole. He is not confident staff can cut other areas.

approved at a Regular Council Meeting on September 10, 2012. I further certify the meeting was duly called, held and that a quorum was present.

Dated: September 10, 2012

Georgia Luster, MMC
City Clerk