



**“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 13 , 2013 @ 6:00 PM
Safford Library Program Room, 808 S. 7th Avenue, Safford, Arizona**

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

STAFF PRESENT: David Kincaid, City Manager; Sandra Findley, Executive Secretary; John Griffin, Police Chief; Ann Waite, Finance Director; Randy Petty, City Engineer; Eric Buckley, Utilities Director; Leanne McElroy, Library Director; Jenny Howard, Public Works Director; and Georgia Luster, City Clerk. Dale Clark, IT Assistant and Sam Napier, IT Specialist, assisted with the audio/video recording of the meeting.

OTHERS PRESENT: Jon Johnson, Eastern Arizona Courier; Glen Orr, Steve McGaughey, Kim Larkey, Marion Gauna, Vance Henrie, Engineering Tech, and Kelly Van Shaar, Van Shaar Productions, video recorded the meeting.

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.
3. **PLEDGE OF ALLEGIANCE TO THE FLAG:** Mayor Gibbs led the Pledge of Allegiance to the Flag.
4. **OPENING PRAYER:** John Griffin offered the opening prayer.
5. **CITIZEN COMMENTS ON AGENDA ITEMS: NONE**

Lance Henrie, new Staff Engineer, was introduced by Randy Petty, City Engineer. Mr. Henrie graduated from Utah State and has been practicing engineering for the last ten years, mostly in southern Nevada, and recently from Sitka, Alaska.

6. **CONSENT ITEMS:** The Mayor and City Council may wish to consider approving Items 1 through 11 as Consent Agenda Items.

1. April 8, 2013 Regular Council Minutes and April 22, 2013 Work Session/
Special Council Minutes.
2. Police Report
3. Building Inspection Report
4. Public Works Report
5. Business License Report
6. Library Report
7. Utilities Consumption Report
8. Summary of Projects Planning and Grants Administration
9. Prosecution Report
10. Airport Report for April
11. Expense Report over \$5,000

It was moved by Councilman Ortega, seconded by Vice Mayor Bingham and carried unanimously to approve Items 1 through 11 as Consent Agenda Items as published.

MOTION ADOPTED

7. **Consider approving the Purchasing Card Report ending February 19, 2013.**
It was moved by Councilman Lopez, seconded by Councilman Malloque and carried unanimously to approve the Purchasing Card Report as presented.

MOTION ADOPTED

8. **3rd Quarter Financial Update to Council:** City Manager Kincaid presented an update on the 3rd Quarter Financials.

Governmental Revenues/Expenditures to Budget; Utility Revenues/Expenditures to Budget: He noted the General Fund is right on target at 75%. He reminded the Council that the report is lagging about one month in revenues. Revenues over expenditures are on a positive side. He pointed out the debt service is usually paid out by June 30th. All the funds on the General Government side appear to be in good shape. He reminded the Council that the auditors recommended moving the Airport fund from an Enterprise Fund to General Government because airports never make any money. Additionally, he noted the expenditures of the Library fund will decrease once grant funds are received. Revenues on the utilities side appear to be in good shape; expect slight increase in the landfill revenues due to the slight increase in fees. There will be debt service coming out of some of the utility areas.

Local Sales Tax Collections (History of 9 months - July thru March): Year to date information. First nine months of fiscal year 2013 is the best since 2009 fiscal year. Local collections are up 9.23% for the first nine months of 2013.

FY 13 Local Sales Tax collections (Compared to previous FY Collections):

Local City Sales Tax Collections by Category: He reviewed sales tax collections, by categories, which are collected by the state and passed on to the City. He pointed out that the report is skewed this month for some reason when referring to accommodations. Accommodations are up nearly 90% from the previous year and restaurant and bar are down 7.5%. Although, next month, collections may increase in restaurant and bar, and accommodations may decrease. Staff continues to monitor retail trade collections. Retail trade is up 5.25% - Underlying economy isn't as strong as the overall economy on the surface because of a lot of transient. However, on the retail side, the trend seemed to collect 3-4% throughout the state. Overall picture is much more positive and improving. Revenues are up at 67.22% as compared to 69.77% last year.

Local City of Safford Sales Tax Collections (6 Year History): Reviewed local sales tax collections FY 2007 through FY 2012. No questions or comments.

9. **Phase III, Steel Distribution Poles was bid per A.R.S. Formal Bidding Procedures. Bids were opened on May 6, 2013. Consider awarding the Steel Pole contract.** It was moved by Councilman Ortega, seconded by Councilman Howes, and carried unanimously to award the Steel Pole Contract to TransAmerican Power Products (TAPP) in the amount of \$63,591.00.
MOTION ADOPTED

10. **Discussion and review on water rates, water rate study, and rough draft ordinance and resolution adding Water Conservation Policy to the City of Safford Municipal Code.** City Manager Kincaid referred to the original drought policy which assesses civil fines. He noted revisions are being recommended giving the water division and water billing division enforcement of fines. He pointed out that the attached draft ordinance/resolution is a very rough draft including penalties, adopting regulations and restrictions on the delivery and consumption of water use. The second portion of discussion is to review and discuss the proposed rate structures presented by the consultant. He asked the Council to comment.

Eric Buckley, Utility Director, stated there is a lot of work yet to be done on the draft ordinance/resolution. He is meeting with water management and water quality departments drafting language that will comply with the water utility department.

Councilman Ortega commented that he believes the ordinance/resolution needs to address tougher enforcement of drought restrictions. He also recommends that the Council initiate the drought response stages.

Councilman Howes commented about the use of effluent water. He sees effluent as a resource and commodity. City Manager Kincaid responded staff is beginning to analyze the use of effluent water. He noted that the golf course receives a lot of effluent water.

Mayor Gibbs asked that another draft of the ordinance/resolution be presented to the Council for review at the next meeting. He is anxious to get the document into place. He recommends a group of staff and council get together to review the document page by page. Councilman Howes, Vice Mayor Bingham, Mayor Gibbs, Eric Buckley, Harry Williams and Georgia Luster will meet to review the document.

Water Rates: City Manager Kincaid referred to a summary document utilized to determining a recommendation on a five-year period water rate structure. The proposed rate structure was based on operation & maintenance, capital needs, and fund balances. He pointed out that the document is still a draft. Staff is working with the consultant and has asked the consultant to go back to correct assumptions that are not correct (assumptions of current water use, as well as having two separate cash fund balances - 90 days operating as well as the average of the next five years predicted capital needs and having two separate fund balances so that both operating and capital needs are tied into a rate structure). The consultant also made the assumption that water sales will remain at the same level they are today, when the intent is to reduce the amount of water being sold. The assumptions of where we are today with revenue **doesn't** work if using **today's** water usage compared to what the overall revenue they figure the system will need. Therefore, the consultant needs to go back and do some tweaking. The general concept is to look at the overall base operating needs of the system (meter and base charges) and consumption charges. The general base charge may be decreased slightly and the overall bill of current customers who use very little water would not change (lower meter charges slightly and slightly increasing overall consumption cost per 1,000 gallons). He referred to the chart indicating the impact (Typical residential customer bill - Existing Structure - Proposed Structure) to Safford customers. The chart indicates the bill of the customer using no water or very little water would decrease approximately 5.60%. However, the bill of those customers utilizing 5,000 up to 70,000 gallons of water would increase slightly. Mr. Kincaid stated that he is concerned the financial impact of \$36.34 is not sufficient to a customer consuming 70,000

gallons. He is concerned the increase to high water users is not enough. At this time, Mr. Kincaid distributed information regarding current water rates from several other Arizona cities that practice critical water conservation. For example, Payson - customer consuming 20,001 gallons will cost the customer \$6.05 per 1,000 gallons; Flagstaff - customer consuming 17,000 gallons will cost the customer \$10.04 per 1,000 gallons. He pointed out that their lowest rates are higher than our proposed highest rate. He noted those entities have found conservation is tied to rates. Water conservation is the least expensive way to maintain a rate structure, even though the costs increase, those costs are minimal when compared to finding new water sources and water treatment that will meet the national drinking standards.

Mayor Gibbs stated the focus is how to get the customer to consume less water. He has a real concern about having enough water. He asked the Council to really study the rate information distributed by the City Manager.

Mr. Kincaid noted two weeks ago peak production of the Bonita water system was approximately 3.2 million gallons per day as compared to today the Bonita water system is producing approximately 2.6 million gallons per day (20% production loss in a very short time from our main water source).

Councilman Seale asked if it would be possible for the water bill to indicate the customer's water usage.

City Manager Kincaid explained per capita per day is not per customer per household. When looking at the water bill, it's per individual which usage is divided by 30 and by the number of people in the home to get per capita per day.

Councilman Seale commented that water concerns have been and are problems for other communities. He referred to a radio program that he listened to a while back that discussed water concerns worldwide. A small town actually ran out of water and their fire department took their tanker to another community to bring water back to the City's water tank on a daily basis. At 6:00 p.m. in the evening, the Mayor would turn a valve on for three hours giving the people time to shower, wash their clothes, etc. and at 9PM the water was shut off. Also, forty percent (40%) of the world has to walk a mile or two to carry their water back for their daily use.

11. **The Library Advisory Board and staff request consideration of a proposed policy revision for the Library regarding Loan Periods and Loan Limits.**
12. **The Library Advisory Board and staff request consideration of a proposed policy revision for the Library regarding interlibrary loans.** City Manager

Kincaid stated Items 11 and 12 were previously reviewed by the Council at a work session.

It was moved by Councilman Malloque, seconded by Vice Mayor Bingham, and carried unanimously to adopt Items 11 & 12 approving policy revisions for the Library regarding interlibrary loans, Loan Periods and Loan Limits.

MOTION ADOPTED

13. CITIZEN COMMENTS ON NON-AGENDA ITEMS: NONE

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

Mayor Gibbs and City Manager Kincaid attended the Flinn-Brown Leadership Academy and provided a presentation to the Civic Leadership Class about Safford's dilemma with water.

Councilman Ortega and Councilman Howes attended an ADOT/SEAGO meeting last month. Organization is looking at ways to come up with money. Next meeting will be held in Bisbee on the 17th.

15. COUNCIL OR STAFF REQUESTS FOR AGENDA ITEMS:

Councilman Howes asked for a review of golf course operations.

ADJOURN REGULAR COUNCIL MEETING AND ENTER SPECIAL WORK SESSION

It was moved by Councilman Ortega, seconded by Councilman Howes, and carried unanimously to adjourn the regular council meeting and enter a special work session at 7:17:05 p.m.

MOTION ADOPTED

16. Discuss Budget presentation format. City Manager Kincaid stated that at the beginning of the budget process he had laid out an approach to follow because of some misinterpretation of double accounting/inflating occurring in each department because of the internal service charges process. As a result, internal charges (examples: Warehouse, Engineering, IT, Utilities, etc.) were removed from each individual departmental budget and will be provided in line item form to the Council to eliminate the perception of double accounting. He stated that one day last week, he received an e-mail from Councilman Malloque stating the process is not what he wanted, that he still had concerns and wanted to see the budgeting process in the form of a line item budget process. Therefore, he asked

for direction from the Council.

Councilman Malloque responded that over a year ago the Council discussed and came to a vote to change the budgeting process to a line item budget process, not only addressing internal service charges, but motor pool charges. He believes there should be more accountability and transparency to the public. He understands internal service charges are fees budgeted for maintenance and replacement. He asked that individual budgets include vehicles/equipment.

City Manager Kincaid referred to the motor pool analysis identifying vehicles and equipment. He explained the analysis identifies the department, type of vehicle/equipment, year, make and model, acquisition date, equipment life, replacement year, replacement purchase, cost and rate. Each department evaluates the list of to determine **what's** needed or not needed (vehicles, equipment, computers, etc.). He explained the motor pool fund supplies funding for vehicles and equipment. He believes the budget being presented to the Council is in line item format. He asked Councilman Malloque to explain what he means by a single line budget and asked for direction from the Council.

Councilman Seale commented that he recalls the meeting when the Council discussed going to a line item budget and voted on to implement July 1st. He stated he voted against it because it was too vague and he was not sure what it meant in respect to how we were doing the budget and how we were going to change the budget format. In fact at that meeting he mentioned that he used to be against the motor pool fund process. The City was able to purchase a fire truck because of the internal fund/motor pool budgeting process. Otherwise, funding would not have been available at that time.

Councilman Malloque commented that he has never seen the list of vehicles/equipment. He also said he was unaware of the new fire truck until he saw it on the over \$5,000 report.

Mayor Gibbs stated he is unsure what Councilman Malloque means by a line item budget. He also stated that perception he hears is that the Council has done an exceptional job of protecting the public's money.

City Manager Kincaid stated during last **year's** budget process, a process was developed for identifying costs to determine true budget costs for each department. For example, the costs of IT services, a cost by percentage is accounted for by each department for their use of printers, computer,

copier/scanner, copies, etc. He noted a departmental accounting indicating an analysis of IT, motor pool, vehicle and equipment is provided through the budget process. Additionally, he explained the City owns, operates and maintains utilities which are enterprise funds. Enterprise funds are breakeven or profit centers which are different from general government funding. True budgeting costs would not need to be allocated if the City did not operate/maintain enterprise funds (utilities). However, he recalled when he first became City Manager, the Council at that time was concerned utilities was funding general government operations and directed each fund stand on their own two feet. It's critical to identify true costs allocated to each enterprise fund in order to establish rates.

Councilman Howes commented that the City continues to receive excellent ratings from its auditors for its budget process. How can the City continue to receive excellent ratings and not have transparency?

Councilman Seale commented that he will take part of the blame for still having problems with the line item budget. He could have identified those areas of concern and brought them back to staff for an explanation.

City Manager Kincaid encouraged the Council to come to him with any questions they have.

The Council agreed to continue with the current budgeting process.

- 17. ADJOURN:** It was moved by Councilman Howes, seconded by Vice Mayor Bingham and carried unanimously to adjourn the work session and enter a Special Council Meeting at 8:14:39 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 Council Work Session of the Safford City Council, Graham County, Arizona held Monday, May 13, 2013, and approved at a Regular Council Meeting on Monday, June 10, 2013. I further certify the meeting was duly called, held and that a quorum was present.

Dated: June 10, 2013

Georgia Luster, MMC, City Clerk