

**THE MINUTES OF THE WORK SESSION OF THE MAYOR AND
CITY COUNCIL OF THE CITY OF WILLCOX, COCHISE COUNTY, AZ
HELD ON THIS 20TH DAY OF FEBRUARY 2012**

CALL TO ORDER-Vice Mayor Monika Cronberg called the work session meeting on Monday, February 20, 2012 to order at 6:00 p.m. and there was not a Quorum present at this time. The Vice Mayor called the work session to order at 6:06 p.m.

ROLL CALL-City Clerk Cristina Garcia Whelan, CMC, called the roll:

PRESENT

Vice Mayor Monika Cronberg
Councilman Elwood A. Johnson
Councilman Stephen Klump
Councilman Christopher Donahue
Councilman William "Bill" Holloway-arrived 6:33 p.m.
Councilman Robert "Bob" Irvin

STAFF

City Manager Pat McCourt
City Attorney Hector M. Figueroa
City Clerk Cristina Garcia Whelan, CMC
Library Director Tom Miner
Finance Director Ruth Graham
Public Services & Works Director Dave Bonner
Development Services Jeff Stoddard

ABSENT

Mayor Gerald W. Lindsey

PLEDGE OF ALLEGIANCE TO THE FLAG-Vice Mayor Cronberg.

DECLARATION ON CONFLICT OF INTEREST-There was no response from the Council members or staff.

ADOPTION OF THE AGENDA

MOTION: Councilman Johnson moved to adopt the agenda as presented.

SECONDED: Councilman Klump seconded the motion. **CARRIED.**

DISCUSSION REGARDING PRESENTATION ON THE FISCAL YEAR 2012-2013 BUDGET FOR DEBT SERVICE FUND, CAPITAL IMPROVEMENTS FUND, MAGISTRATE COURT FUND AND FIREMEN'S PENSION FUND.

City Manager McCourt presented form used last month for mid-year report. It is also form we used on the summary of budgets and the City maintains 12 budgets. Each of these is operated independently. Its budget is a balancing entity. The chart includes Fund Number which is self balancing set of accounts. Then numbered within our system and we have names used rather than number. He explained the columns (copies included in packet) which includes amount of money we would have at the beginning of the year or Revenue we were projecting at half way through the year. Column names are: Opening Balance, Revenues, Inter-fund Transfers, Expenses, Ending Balance and Fund Balance Change. We do not want to show expenditure twice and when spent then we show it. When spend the cash shown under Expenditures. If send money out like i.e. from General Fund \$16,600 is donation and matching for Skate Park. That is the actual expenditures and ending balance. In this case we spent more money during the first six (6) months than received in General Fund. Each of these is done independently and everybody likes to add up totals and when add totals they are meaningless in legality of separating the Funds.

Tonight staff will be talking about a couple of these Funds. They are simple one and there are always decisions. The First is Debt Service Fund which is for General Obligation (GO) Debt. That Debt is secured by the property taxes in the community. We have three (3) GO issues. Chart shows projected opening and projected Revenues. On sample this is transfer in \$54,050 coming from Water Fund. We have GO for Water and we are not collecting property tax on that because it is paid by the revenue from the Water Fund. In is income and expense is the cost of the bond issue. Shown is the Ending Balance on chart and estimate of the change of the balance. .

The next chart was GO Bonds or Revenue Bonds and paid by each of the Funds and tied to property tax or Secondary Property Tax. Exception is the Water Bonds of 1974 and being paid by transfer from the Water Fund and not collecting property tax for that issue. We have two (2) other GO Bonds issued and these are bonds used to build this building and the Library improvements. We are still spending that money issued in 1974. In 2013 we will finish paying that off in FY2014 and that bond issue will be paid off. GADA 2004B paid FY2018 and GADA 2007 paid FY2028. This year if there is no other GO Bond approved by voters this will reduce the amount of Secondary Tax that needs to be collected when this issue gets paid off and it is substantial and will reduce the overall tax break.

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Mr. McCourt referring to copy of a "real property tax" from within the City and white-out all personal information and on this property tax it is \$257.60 and of that the City gets \$23.35 for both the Primary and Secondary Tax. That \$23 comes to the City or less than 10%. The \$23 is broken out paying for voter approved Bonds \$15.82 and into the General Fund for General Operations is \$7.53. This will be covered again when discuss the Revenues of General Fund. People when they get their Property Tax bill they seem to think the City gets all that and we don't.

The Net Assessed Values changes each year and we get notice from County Assessor. We are seeing some changes and increase in Assessed Valuation from FY11-12 and as assessed goes up the rate value goes down because of cap of total amount of money we can collect. The Secondary Tax the cap is set by how much Bond Indebtedness we have. An actual budget sheet for Debt Service Fund shows last couple year's budgets for Debt Service and 2012 shows where we are year-to-date and budget for FY13 which ends June 30, 2013. The City has received from Secondary Property Tax, Transfer from Water Fund \$164,641 and expend that money to pay Principal and Interest (Debt Service). It is hard to believe that some people do not pay their taxes and 2% is allowed for uncollectible tax to pay for those Bonds and Loans. Some communities have defaulted and not made payments and he is not recommending doing that. We are in good fiscal shape.

Of the other two (2) Funds one is the Magistrate Court. We have merged with Justice of the Peace (JP) Court and Agreement with County they receive revenues and after the accounting each year they tell us what we need to pay. We still have old cases settling before merged with JP Court and number will continue to go down and at some point it will become zero. Under Expenses it is a Trust Fund the City maintains and not one the City has anything to do with.

The Firemen's Pension is another Trust Fund for Volunteer Fire Fighters (VFF) and they pay a share and City matches. Interest earnings received and State Insurance. On the other side we pay for one VFF Retirement Pension. It is healthy fund and it is okay and no decision to be made by City. We keep minutes, records and the Mayor sits on the Board.

That is three (3) of the funds and they are relatively simple. As we go along the next step is to talk about the Enterprise Funds. There are four (4) and City sets the rates for those and keep those in good fiscal condition. Those we are planning to discuss at each Monday work session and we are required under City Code to do review of those funds by April of each year. There is an automatic Cost of Living if the Council does no do anything. Staff will be bringing recommendations on each of the Funds and Mayor and Council may or may not do anything as they choose.

DISCUSSION REGARDING PRESENTATION REGARDING BALANCING THE GENERAL FUND BUDGET

City Manager McCourt has included in the packet a memorandum from his office and he thinks it is his responsibility to bring options to the Mayor and Council. This report talks about the Enterprise Funds which are operated like a private company. If a private company, i.e. South West, was running our Gas System as opposed to the City we would charge them a License Fee for using our streets. That License Fee would then be deposited into our General Fund and same if we had private water or sewer. We don't do that because we are charging ourselves and the same people are paying for it in one way or another. If we want to compare with private company the Mayor and Council could decide they wish to include that in fee structure. If Mayor and Council chose to do that at a 5% fees charge would raise approximately \$120,000 per year. His recommendation at this point is to just look at that during rate review on the four (4) Enterprises. There is not decision requested tonight.

Mr. McCourt has not done this before because as he mentioned in his last memo to the Mayor and Council we are in "tight conditions" and so is the whole community and he is reluctant to look at other revenue sources for the General Fund. This is his fourth budget year with the City and looking at what sources of revenue are and future there will be some growth as seen in our Local Sales Tax and we are also seeing growth in our expenses. His question is "how are we ever going to close the gap?" We have a real gap between what we are spending. There is no requirement to do anything or we cut services or combination of those or do nothing. Looks like real deficient of about \$200,000 and hopes it will be less than that for the current fiscal year. At that rate we can go another six (6) years before we run out of money. Something might happen in the meantime. Or we can look at real services and say "okay what are we going to cut?" We have cut all the frills now left with "real meat" and these are not recommendations only statements; i.e. close the Library, close the Pool and which will save a substantial amount of money which these are services we provide to the community. Or we could reduce our Police protection or not water the Parks. There

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are things we can do and all will have significant impact on the public. That is the point we are to if we are going to cut services. We can hope Revenues grows faster than he anticipates and make up the deficit that way and that is possibility and it could happen. We have permanently lost a large piece of revenue that we used to get from SSVEC and it is never coming back period. It is a permanent reduction. As he looks at this he does not see the answer and is trying to give the Council an option. His recommendation at this time is to look at that when they do the rate review of Enterprise Funds.

DISCUSSION REGARDING ECONOMIC DEVELOPMENT

Economic Development talked about quite a bit and Mr. McCourt keeps working on these and keeps getting longer. We need to work on Economic Development without question. Concern as we do that we are doing Economic Development and not spending \$100 to make \$10; we need to spend \$10 and make \$100 and we need to make intelligent decisions relative on how to spend our money. Prepared some thoughts for Mayor and Council to look at and thinks we need to read and discuss those items. Thinks we need to look how we can help because he does not think the City by itself can do Economic Development and believes it has to be primarily fueled by the private sector. Perhaps ways we can help that process.

This is a short session and trying to keep the longer work sessions beginning next month will be more in-depth discussion on the Utility Funds and especially the ones we have questions and maybe some tough decisions to look and make. The first work session will be on the Solid Waste Fund. We did a very major rehash on that last year. Everything "has worked out okay" Solid Waste Fund is in good shape. Lots of changes were made on the business side and the mix and net effect was a wash and we are right where we should be. The Cost of Living came in that we owed to Contractor at 3% and he will begin getting Contract Adjustment on July 1. Also there was an increase at Tipping Fee going in and has put all those into calculations and believes we can safely have an increase of less than 3% for our customers.

Councilman Irvin asked how bad container size by people going to smaller size. City Manager McCourt explained we picked up almost 90 small businesses that went to smaller size containers. And we picked up quite a number of customers too. Carefully reviewed the sharing of Solid Waste customers and those sharing in South West and essentially been a wash. Everybody has there own container and they know what they are using. When we go through the Rate Reviews what staff hopes is when finish and not going to be asking for decision and hopes to be providing options as we go through those. We will need some decisions in April per City Code when we should complete our reviews. (Councilman Holloway arrived at 6:33 p.m.)

ADJOURN

There being no further business before the Mayor and Council, Vice Mayor Cronberg adjourned the meeting at 6:35 p.m.

CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the regular meeting of the City Council of the City of Willcox held on the 20th day of February 2012. I further certify that the meeting was duly called and held, and that a quorum was present.

Dated this 3rd day of March 2012

/s/ Cristina Garcia Whelan,
City Clerk Cristina Garcia Whelan, CMC

PASSED, APPROVED AND ADOPTED this 19th day of MARCH 2011.

/S/ GERALD W. LINDSEY
MAYOR GERALD W. LINDSEY
Signed: 03-21-2012.

ATTEST:

/s/ Cristina Garcia Whelan, CMC
City Clerk Cristina Garcia Whelan, CMC

