

**THE MINUTES OF THE WORK SESSION OF THE MAYOR AND  
CITY COUNCIL OF THE CITY OF WILLCOX, COCHISE COUNTY, AZ  
HELD ON THIS 13th DAY OF MAY, 2009**

**CALL TO ORDER**-Mayor Lindsey called the work session meeting to order on Wednesday, May 13, 2009 at 5:07 p.m.

**ROLL CALL**-The Mayor announced all Council members are present except Councilman Klump.

**PRESENT**

Mayor Gerald W. Lindsey  
Vice Mayor Larry Schultz  
Councilman Elwood A. Johnson  
Councilman Jimmy L. Norris  
Councilwoman Monika Cronberg  
Councilman Christopher Donahue

**STAFF**

City Manager Pat McCourt  
City Attorney Hector M. Figueroa  
City Clerk Cristina G. Whelan, CMC  
Public Safety Director Jake Weaver  
Library Director Tom Miner  
Finance Director Ruth Graham  
Public Services & Works Director Dave Bonner  
Building Inspector Jeff Stoddard

**ABSENT**

Councilman Stephen Klump

**PLEDGE OF ALLEGIANCE TO THE FLAG**-Mayor Lindsey.

**CALL TO THE PUBLIC**-There was no response from those present.

**DECLARATION ON CONFLICT OF INTEREST**-There was no response.

**ADOPTION OF THE AGENDA**

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

**SECONDED:** Councilwoman Cronberg seconded the motion. **CARRIED.**

**DISCUSSION REGARDING BUDGET OVERVIEW OF FY 2008-2009 AND FY 2009-2010**

City Manager Pat McCourt addressed the Mayor and Council on the Budget Overview of FY 2008-2009 and FY 2009-2010. Staff prepared a budget book as a starting point. We have a balanced budget as required by the Arizona Constitution and we have to cover current expenses and revenues. Bonds are typically for long term to cover the life of the bond and the City does have bond debt outstanding. This year budget is presented in a different format and he will try to spend this evening explaining how the book is laid out and where the numbers come from. Clarification is not just for the Mayor and Council but for the members of the public too. The City exists to deliver services to the community to improve the quality of life and that is its entire purpose. This budget does not contemplate any new service, it does contemplate existing level of service only. FY2008-2009 and the other FY 2009-2010. FY2008-2009 is the current fiscal year we are in. Mayor Lindsey stated it would be helpful to number the pages. Mr. McCourt thinks staff has devised a system to hand number the pages and Mayor stated "number them by section."

The City Manager began the overview by explaining all of the Fund numbers which funds are enterprise funds meaning they operate like a private company, which funds we subsidize through the General Fund, explained that Grants are not enterprise funds, debt service through bonds money has to be set aside and only used for the purpose of that bond.

Concerns and/or discussion on the following:

- Tipping fee rates going up by Cochise County as Willcox is a participant of the County Regional Transfer Station.
- Refuse Fund (enterprise fund). According to our FY08 annual audit this fund is running at a deficit and we will need to make rate adjustments. The refuse contractor has assessed an annual cost of living adjustment based on the Consumer Price Index each year that we have not passed on. The City rates have not changed since 7/1/2006.
- Sewer Fund (enterprise fund). The system has several problems because the quality of effluent is not sufficient, and there are a number of technical problems. State sent notices of violation on the unsafe discharge of effluent to Cochise Lake and concerns about placing it on the Golf Course. Staff is pursuing grants and low cost loans. The final solution may be to issue a Bond to raise money to make repairs. Representative Gabrielle Giffords is helping us, too. Fund is in balance but it does not include Capital Improvements.
- Water Fund (enterprise fund). The City charges fees to support this operation. It is in balance and staff will continue to monitor revenues and expenditures to see if amount remains true. Staff believes it is correct. Discussion has been

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held about the replacement of lines. Replacements have been done as needed in the last couple of years. We do not have a capital replacement program in place. The people that had that first-hand knowledge about the system are gone and we have to make our best estimates.

- Gas Fund (enterprise fund). Many repairs have been made to the system. At this time we have fixed all of the major leakages that existed at one time in our system, and that increases the reliability of the system. Concern is where we are going in the future with this system. Our service area is within City limits and some services outside the City. There have been occasions when demand was high and there was a limited amount of gas available. That caused outages in certain areas of the City and that is not good. We have to find a way to serve our existing users and future customers that will increase demand of the system. We need to plan on a large investment to satisfy current and future needs. We do not have plan for this fiscal year, but will develop plans for long term budgeting for the gas system for the next 10 years.
- All enterprise funds with exception of Refuse are "Okay. Not an A but a C job."
- Capital Improvement- when raised debt put monies into separate pocket which is this one and used only for appropriate purposes i.e. new Police and Council Chambers and the Library renovation. Ending balance will be carried forward to next FY 09-10 and anticipate using all those funds. Debt Service has to show current obligation and long term obligations. Amount is needed to pay principal, interest and any associated fees each year. Income comes from Secondary Property Tax. We are required to maintain Reserve per Bond and that will be used at final payoff.
- Grants -governmental fund not enterprise fund. Take grant monies from various sources and expend out of here. Funds are isolated and able to track each grant. Most of the grants are reimbursable first we pay expense and we file to get reimbursement. Have to provide cash flow and comes from General Fund to pay.
- Highway Users Revenue (HURF)-one source is State Highway and it is restricted and paid out of here correctly and appropriate for that funding. Major source of money comes from 1% Sales Tax, voter approved and sent to this fund. The HURF money is State money and comes from State collection of the gasoline tax. We do not have direct tax on gas. The State takes percentage state wide and about 27.5% for use by the cities and counties. That money is split, and 13.25% distributed to municipalities based on population. The other 13.25% distributed back to the County of origin and within those counties distributed by population. Other is portion of vehicle registration and another couple of minor sources. State has control of that distribution formula and it is dwindling away. The problem is getting bigger because the State is in a lot of trouble. The League monitors everything being done behind closed doors and we have taken reductions on this because at the State level the pot is smaller. Concern is that the State is going to need more money for highways and programs and will change that distribution. Currently we are balanced and okay. Long term implications he will talk about later.
- General Fund - everything else we do is paid from here. This is the broadest use. We can transfer General Fund money to other funds but usually we can not take from HURF to General Fund. Concerns July 1, 2008 we had \$1,248,058 available for General Fund purposes and actual revenues over the past 9-months and 3-months projected \$3,470,391. Expenditures are \$4,417,351 and Inter-fund Transfers in of \$423,000 can be traced down to the gas, water, sewer and refuse enterprise funds. The purpose of these transfers is to treat the enterprise funds as if they were private companies. For instance, the General Fund provides Finance personnel for billing and Public Works supervision of those areas. Other private companies that use the City's right-of-way, i.e. telephone, and cable, pay Franchise Tax. Typically property taxes paid by companies go back to General Fund as well. A General Fund transfer out of \$36,973 is going to the Grants fund. Staff believes we will have \$1,687,125 in the General Fund in June 30, 2009 which is less than the amount we stated this year of \$2,248,058. The City is not a bank; we are here to deliver services. We need to establish a reasonable amount the City should carry for unusual circumstances or downturns in the economy. When we get to June 30 and another month to close books hopes and traditionally it has been lower because staff is very good to spend what they need to deliver service and there has been carry over balance and expects that to happen again this year. HURF will decline as well but the City Manager is not as concerned about HURF as we he is about the General Fund. The HURF Fund is currently making two bond payments for road type projects. June 30, 2010 the first Bond will be paid off and that will reduce the annual debt service by \$120,000. That will make up a portion of the deficit. The other is economy recovers and Local Sales Tax will go up and hopes to get this fund into balance.

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Grants – self explanatory.

Debt Service- used to pay off bonds.

Gas - where we are going in the future to serve current customers and need multiple plans on how to do it. Option is to get rid of the gas. We might be able to do that. The question is what is in the best interest of our customers? If the system was sold, would the rates go up, etc? We don't know what will happen. We do not run the system for a profit but to deliver it as a service.

Water - look at capital needs and plan how to satisfy and come up with long term plan.

Sewer - same thing. We have problem with treatment plant and disposal of treated water.

Refuse - running alright but have not raised rates in three years. We will need to do rate adjustment or take money from General Fund to continue to subsidize it. Staff does not recommend that because it will make problem worse and how are we to deliver such services as police, fire etc. Recommends raise enough money to pay for the cost of operating the system. Need to look and plan to reduce our stream amount going to the landfill. We pay landfill fees on a per ton basis, and if we can find a way to lower tonnage such as through an aggressive recycling program we will reduce the number of tons going in therefore reduce total amount due. Need system that costs us less; that costs less than \$49/ton to implement.

Mr. McCourt stated that is the broad picture of the budget, Council members need to get comfortable with these budget sheets for budget for next year. Now about details and are they services we want to provide and if not are they at the levels we want and how to get it. This is his presentation to Mayor and Council and reflects community needs and wants. As elected officials they approve the budget.

Discussion was held by those present on current needs, future needs, ADEQ violations, any investments to promote additional revenues, economic development, education on recycling, one refuse pick up and the next pick up to recycle, discussion needed on how to invest, how much to invest and what do you (Mayor and Council) want to accomplish. Mayor and Council need to talk to the citizens not just about the dollars that are there but to explain things to the citizens. Consideration of a four day work week was discussed (except for Public Safety) which has helped in other states.

City Manager McCourt asked the Mayor and Council to allow him and staff for next year to come up with realistic plan to correct General Fund. In that plan emphasis is to maintain level of service and look for operation and may be some requests for fees when it comes back to them. Work with other staff to devise plans on how to fix this. We cannot sustain this spending rate and he does not see the City growing out of this. We can consider options to save money and maintain the same services. For example, Utah went to a four day work week and is doing a lot better. Need to carefully evaluate options and wants opportunity to work with staff and discuss this at staff meetings and we need to look at every level. Sometimes it is 1,000 \$10 ideas that total up to \$10,000 in savings. Believes we have a dedicated staff that understands the problems and services required in community. Mr. McCourt believes we can come back with recommendations to correct these problems. It may take more than one year. Staff has discussed salary increases for employees and does not see how we are going to do that. Incentives to keep employees without pay raises: benefits such as Health Insurance to minimize cost and hopes to retain them. SSVEC will be coming on the 18<sup>th</sup> to do energy audit.

Mayor Lindsey stated he does see economy starting to pick up next year and indicators show things are going to start to pick up. Factor making upward swing is home sales and other areas coming up.

Revenue is broken down in more detail for the 11 months ending May 31, 2009. Personnel costs of City by fund, including General Fund by Department. Pages show historic information and projections for FY 2009-2010 budgets how arriving at projections. Summary by Departments and General Fund FY 2009-2010 is the total for the year. Administration sheet is one of the Departments after the summary sheet of all General Fund. Following is the break down of that department. For example, behind the Administration budget information is a brief discussion about what that department provides and what

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the citizens are receiving. It is for virtually the same for each department. Need to talk about City Attorney prosecuting some cases that the County will not do for the City.

**ADJOURN**

There being no further business before the Mayor and Council, Mayor Lindsey adjourned the meeting at 8:44 p.m.

**CERTIFICATION**

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the work session meeting of the City Council of the City of Willcox held on the 13<sup>th</sup> day of May, 2009. I further certify that the meeting was duly called and held, and that a quorum was present.

**Dated this 15<sup>h</sup> day of May, 2009**

/s/ Cristina G. Whelan, CMC  
City Clerk Cristina G. Whelan, CMC

**PASSED, APPROVED AND ADOPTED** this 1<sup>st</sup> day of June, 2009.

/S/ GERALD W. LINDSEY  
MAYOR GERALD W. LINDSEY

ATTEST:

/s/ Cristina G. Whelan, CMC  
City Clerk Cristina G. Whelan, CMC