

**THE MINUTES OF THE SPECIAL MEETING OF THE MAYOR AND
CITY COUNCIL OF THE CITY OF WILLCOX, COCHISE COUNTY, AZ
HELD ON THIS 30TH DAY OF AUGUST 2010**

CALL TO ORDER-Mayor Gerald W. Lindsey called the special meeting to order on Monday, August 30, 2010 at 6:00 p.m.

ROLL CALL –City Clerk Cristina G. Whelan, CMC, called the roll:

PRESENT

Mayor Gerald W. Lindsey
Vice Mayor Monika Cronberg
Councilman Elwood A. Johnson
Councilman Stephen Klump
Councilman Christopher Donahue
Councilman William “Bill” Holloway
Councilman Robert “Bob” Irvin

STAFF

City Manager Pat McCourt
City Attorney Hector Figueroa
City Clerk Cristina G. Whelan, CMC
Finance Director Ruth Graham
Public Services & Works Director Dave Bonner

PLEDGE OF ALLEGIANCE TO THE FLAG-Mayor Lindsey.

CALL TO THE PUBLIC-There was no response from the public present.

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

ADOPTION OF THE AGENDA

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

SECONDED: Vice Mayor Cronberg seconded the motion. **DISCUSSION:** Mayor Lindsey asked to revisit the motion to include consideration of agenda items numbered 7, 8, 9 and 10 (relating to Executive Session) after agenda item numbered 14 (relating to Resolution NO. 2010-92).

AMEND MOTION: Councilman Johnson moved to amend his motion to adopt the agenda and to consider agenda items 7, 8, 9 and 10 after agenda item number 14.

AMENDMENT SECONDED: Vice Mayor Cronberg seconded the amended motion. **AMENDED MOTION: CARRIED.**

ORIGINAL MOTION: CARRIED.

**DISCUSSION/DECISION ENTER EXECUTIVE SESSION PURSUANT TO ARIZONA REVISED STATUTES § 38-431.03A(3)
DISCUSSION OR CONSULTATION FOR LEGAL ADVICE WITH THE ATTORNEY OR ATTORNEYS OF THE PUBLIC BODY;**

AND (Agenda was revised to include the following and added Agenda item on Instruction to Counsel and Staff)

***ARIZONA REVISED STATUTES § 38-431.03A(4) DISCUSSION OR CONSULTATION WITH THE ATTORNEYS OR THE PUBLIC BODY IN ORDER TO CONSIDER ITS POSITION AND INSTRUCT ITS ATTORNEYS REGARDING THE PUBLIC BODY’S POSITION REGARDING CONTRACTS THAT ARE SUBJECT OF NEGOTIATIONS, IN PENDING OR CONTEMPLATED LITIGATION OR IN SETTLEMENT DISCUSSIONS CONDUCTED IN ORDER TO AVOID OR RESOLVE LITIGATION. (After decision on Resolution NO. 2010-92 considered 7-8-9-10.**

MOTION: Councilman Johnson moved to enter into an Executive Session pursuant to ARS § 38-431.03A(3), as stated, relating to consultation for legal advice with the attorney(s) of the public body; and ARS § 38-431.03A(4), as stated, relating to pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation.

SECONDED: Vice Mayor Cronberg seconded the motion. **CARRIED.**

RECESS TO EXECUTIVE SESSION, IF APPROVED-recessed regular meeting at 6:47 p.m.

RECONVENE FROM EXECUTIVE SESSION-Reconvened the regular meeting at 7:06 p.m. and due to prior commitments Councilman Donahue left at this time.

DISCUSSION/DECISION AND/OR INSTRUCTION TO COUNSEL AND STAFF REGARDING ITEMS CONSIDERED IN EXECUTIVE SESSION

**THE MINUTES OF THE SPECIAL MEETING OF THE MAYOR AND
CITY COUNCIL OF THE CITY OF WILLCOX, COCHISE COUNTY, AZ
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City Attorney Hector Figueroa explained the Mayor can instruct Counsel and Staff. Mayor Lindsey instructed Counsel and Staff to proceed with the matter discussed and his recommendation. City Attorney stated he and staff accept instruction and will proceed as instructed.

PUBLIC HEARINGS, PETITIONS AND COMMUNICATIONS-Considered first after the adoption of the agenda per motion.

Communications: (This item was added on the revised agenda.) Mayor Lindsey read the First Reading of Ordinance NS299 Relating To Taxation: Levying Separate Amounts To Be Raised For Primary And Secondary Property Tax Levies Upon Each One Hundred Dollars (\$100.00) Of The Assessed Valuation Of Property Subject To Taxation Within The City Of Willcox For The Fiscal Year Ending June 30, 2011 And Declaring An Emergency To Exist.

Public Hearing: The Mayor announced that the Mayor and Council will hold a public hearing on Tuesday, September 7, 2010, at 7:00 p.m., 300 W. Rex Allen Drive, Willcox, AZ regarding Ordinance NS299 Relating To Taxation: Levying Separate Amounts To Be Raised For Primary And Secondary Property Tax Levies Upon Each One Hundred Dollars (\$100.00) Of The Assessed Valuation Of Property Subject To Taxation Within The City Of Willcox For The Fiscal Year Ending June 30, 2011 And Declaring An Emergency To Exist.

All members of the public are invited to attend such meeting. For those persons unable to attend, written comments will be accepted until 4 p.m. the day of the public hearing in the Office of the City Clerk, 101 S. Railroad Avenue, Suite B, Willcox, AZ 85643.

INTRODUCTION AND/OR PRESENTATION BY MARK READER, MANAGING DIRECTOR, STONE & YOUNBERG, LLC AND INTRODUCE TIMOTHY PICKRELL

Mr. Mark Reader, Managing Director, Stone & Youngberg, LLC, handed out information to the Mayor and Council regarding graphs and information on the Short Term Loan. Mr. Reader has worked for the City of Willcox on Bond issues and with Mr. Holloway (while employed with the Willcox Unified School District). Recently has been working with the City on the WIFA Financing for \$1 Million for the engineering and design purposes for the wastewater system. Mr. Reader explained the loan and introduced Mr. Tim Pickrell.

Mr. Tim Pickrell, Squires, Sanders & Dempsey, is the Bond Counsel on the WIFA Loan and explained the process. This loan entails 2- actions: Resolution NO. 2010-91 WIFA (Water Infrastructure Finance Authority) and want the loan to be secured by sewer system by the 2001 Bonds sold to USDA to Rural. Had to meet 2001 Bond and didn't contemplate short term loan it did long term with small principle due each year. The Bond read net revenue has to cover maximum debt service at any future year. This resolution amends the 2001 resolution to treat a 3-year short term as if it was a 25 year and spread out principle and City able to meet that test. USDA is the Bond holder and can't amend without 2/3 of the holders' approval. And today Mr. Pickrell thanked Jeff Hooper, USDA, because he has agreed to allow the City to go forward. Mayor Lindsey introduced Mr. Hooper and said he is happy to have him here and looking forward to working with him. The mayor asked if there were any questions.

Councilman Johnson asked if Resolution is amending or marrying the 2001 resolution. Mr. Pickrell replied it is amending one definition of maximum annual debt service as it appears in the 2001 resolution to make 25 year assumption and ratifies the 2001 resolution as amended. City Manager Pat McCourt added that the 2001 lending document had several parts and this says if ever going to borrow there are certain requirements to meet. One is we have to show that the rates cover operating expenditures and 125% of principle and Interest due each year. Short term loan we have \$1M due in 1-year and have to increase rates to be \$1.3M in one year. Rather than do that we propose to amend resolution as short term, as amortized over 25 years and not have the huge spike in one year. Mayor Lindsey stated that loan would be paid with the other. Councilman Johnson asked when current expires and Mayor Lindsey replied in 2021 and there is \$760,000 outstanding. Mr. Pickrell stated the amendment does not do anything to the 2001 Bond only add \$1M. The City Manager explained the resolution rate section determines how to adjust rates to make sure cover expenditures and we do that on annual basis. Councilman Holloway stated that under "B" it states maximum 3-years is the definition. Vice Mayor Cronberg stated we do need engineering in order to move forward.

MOTION: Councilman Donahue moved to adopt Resolution No. 2010-91, as stated. **POINT OF ORDER:** Councilman Johnson stated Point of Order need to read the next agenda item to consider and before making a motion.

**THE MINUTES OF THE SPECIAL MEETING OF THE MAYOR AND
CITY COUNCIL OF THE CITY OF WILLCOX, COCHISE COUNTY, AZ
HELD ON THIS 30TH DAY OF AUGUST 2010**

Mr. Pickrell explained that Resolution NO. 2010-92 authorizes the City to enter into WIFA documents and loan agreement to be signed near final form and delivery of \$1M and delegating signing officers any changes. Councilman Johnson stated we are not looking for additional increase other than what was put in place for annual sewer adjustment and CPI. Mr. McCourt replied given probably paying 1/3% on interest and money we draw down and probably not significant in itself for rate adjustment. In the long term it will be significant and on the short term sense no significant impact. Councilman Johnson asked in the future how this will affect our rating to borrow. Mr. Reader explained how this particular loan affects future credit ratings. This is financing it is a revenue based financing and the rates and charges have been adjusted to make sure you have revenues sufficient to repay this loan. That is good. In the future credit rating will stand on its own depending on financing done at that time. USDA or WIFA does not require. Management stand point we need to ask "are your Enterprise Funds paying for itself." City has done good job recognizing that and all in all very positive. Councilman Johnson stated that in 2004 last looked at WasteWater Treatment Plant at \$20M asked if bonding, tax increases, levies, stimulus money, which means spending money. City Manager McCourt explained discussion was held on this during the budget process and we are looking at USDA and Mr. Hooper is working with us. Anticipate getting loan and grant from USDA. As far as stimulus money or regular appropriations Mr. Hooper can answer. City standpoint is one of the guide lines is our rates with other comparable systems and determine how much are grant and loan. This is good. Mayor Lindsey added we are tossing around \$8-10 Million and do not know at what level grant will kick in. The Mayor has discussed this a little with Mr. Hooper and City standpoint will be less. We do have to determine what the rate is compared to other cities or determined before Mr. Hooper decides what part is loan and what part is grant. Vice Mayor Cronberg is interested on the engineering and the ability to keep those costs down so that we do not take up all the \$1M and asked if bidding to help keep costs down or is it a given we will end up spending the \$1M. City Manager McCourt replied that will be City staffs job. It is estimate and talked with some City Council members and plan is to use Engineering firm who has been approved by the State and we do not have to back up discovery, therefore, we will stay with Tetra Tech. Staff's job is to keep cost low and still get job done. Mr. McCourt explained that Exhibit B has one part estimated budget and will come in under and how far is the question. Section 2 is what the Engineering firm will be tasked in developing. That includes modification to head works, receiving station, 2-oxidation ditches, expand entire plan by putting another ditch or adding components. It will not have a roof over them. Blower station to push water into the oxidation ditches. Chlorine first then get it out before dispense the water. Drying beds will be used to remove and dispose final and equipment automation too.

DISCUSSION/DECISION REGARDING RESOLUTION NO. 2010- 91 AMENDING RESOLUTION NO: 2001-01, AUTHORIZING THE ISSUANCE AND SALE OF CITY OF WILLCOX, ARIZONA SEWER REVENUE BONDS, SERIES 2001A AND 2001B; AUTHORIZING, RATIFYING AND APPROVING ALL ACTIONS IN CONNECTION THEREWITH AND DECLARING AN EMERGENCY TO EXIST.

MOTION: Councilman Donahue moved to approve Resolution No. 2010-91 Amending Resolution NO. 2001-01, as stated relating to the Issuance and Sale of City of Willcox, Arizona Sewer Revenue Bonds, Series 2001A and 2001B; Authorizing, Ratifying and Approving All Actions In Connection Therewith and Declaring An Emergency to Exist.

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

DISCUSSION/DECISION REGARDING RESOLUTION NO. 2010-92 PROVIDING FOR THE FINANCING OF CERTAIN SEWER SYSTEM IMPROVEMENTS AND FACILITIES THROUGH A LOAN AGREEMENT WITH THE WATER INFRASTRUCTURE FINANCE AUTHORITY OF ARIZONA; APPROVING AND DIRECTING THE EXECUTION AND DELIVERY OF SUCH LOAN AGREEMENT AND THE EXECUTION AND DELIVERY OF OTHER DOCUMENTS AND AGREEMENTS IN CONNECTION THEREWITH; PROVIDING FOR OTHER RELATED MATTERS; AND DECLARING AN EMERGENCY

MOTION: Councilman Donahue moved to Resolution NO. 2010-91, as stated, relating to the Financing of Certain Sewer System Improvements and Facilities Through a Loan Agreement with Water Infrastructure Finance Authority and Directing the Execution and Delivery of Such Loan Agreement and the Execution and Delivery of Other Documents and Agreements In Connection Therewith.

**THE MINUTES OF THE SPECIAL MEETING OF THE MAYOR AND
CITY COUNCIL OF THE CITY OF WILLCOX, COCHISE COUNTY, AZ
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SECONDED: Councilman Holloway seconded the motion. **DISCUSSION:** Mayor Lindsey asked if there will not be or there will be a slight increase to the sewer. A third of a percent is \$3,000 and revenue for sewer fund is \$218,000 and that is a very small percent. City Manager McCourt replied staff is not anticipating a rate increase although he can not say there will not be any impact and can not really say that and suspects that it would be extremely nominal. However, we have to make the principle payment on the balance. In the future we will have to amortize that and that will have effect on the rates. Councilman Johnson asked if any mock calculations done. There may not be any increases today and if used the \$1M at small interest we have to pose the City to be prepared for the rate increases that are coming. We had rate increases with the water and will we have rate increase here. He would like to have numbers out to prepare residents for that. Councilman Johnson stated his sewer doubled and needs to talk to staff and is still in shock. Very concerned with what may happen and has two (2) years worth of bills. City Manager McCourt said sewer rates will have increase and range previously presented on which option was chosen and how much might be covered by grants or borrowing. As we get further along in the process will have more accurate numbers to consider. Sewer rates are fixed rate and variable on water usages. Mayor Lindsey added that a lot of the calculations that could be made in order to determine that are going to depend to a great degree on the rate USDA comes up with as far as our grant level and Bond is. This will be based on the City's current sewer rates compared with other City's rates and what we will have to increase those rates in order to service the loan. It is the Mayor understanding that at this point those calculations have not been made and asked Mr. Hooper if that is correct. Mr. Hooper stated that is correct. Councilman Holloway stated they really can not calculate because we do not know what the final amounts are going to be that we will be in debt. Mayor agrees and thinks we can project. Councilman Holloway thinks we have as good as we are going to get projections today. Mr. Hooper, Rural Development, thinks many Council members have a sound understanding how USDA financing works. When it comes to grant dollars allocated from the Federal Government the purpose of grant dollars is to subsidize a project to the extent that rates do not have to be increased above what they consider similar system cost. These are things they take a look at and try to see what does a similar size town or the state sewer average rates and grant dollars utilized and put into these projects so these rates do not have to far exceed what a similar system cost is. When they get the information from the Preliminary Engineering Reports that has cost estimate looking at \$10M total project cost then they will look at financial capability of the system itself, look at what your ability to pay based on existing rates now and look at \$10M as loan component and do not believe there is capacity to pay back that \$10M. They also look at what is your capacity, what would your rates need to be raised to get to level comparable to other costs are. Then will try to use grant dollars to extent available to bring that cost down. It is a big process they go through to come to that. Vice Mayor Cronberg asked if the economic health of area overall impact those kinds of decisions on what they go out for. Do they look at the mean income of the City and asked if that also impact the request and decision? Mr. Hooper replied in the affirmative. They look at population of the service area, medium household income for residents in the City of Willcox and what will come into play on this one is the need to get this done. The issue with ADEQ and violations the City is currently under right now shows that this is indeed a priority because looking at health and safety concerns to get this project done and that also gives a higher priority. **CARRIED.**

At this point 6:45 p.m. go back to item #7 regarding to enter into Executive Session.

ADJOURN - There was no further business before the Mayor and Council and the special meeting was adjourned at 7:07 p.m. by Mayor Lindsey.

CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Special Meeting of the City Council of the City of Willcox held on the 30th day of August 2010. I further certify that the meeting was duly called and held, and that a quorum was present.

Dated this 14th day of September 2010

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

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PASSED, APPROVED AND ADOPTED this 20th day of SEPTEMBER 2010.

/S/ GERALD W. LINDSEY
MAYOR GERALD W. LINDSEY
Signed: 09-21-2010.

ATTEST:

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