

MINUTES

MINUTES OF THE WORK SESSION OF THE MAYOR AND COUNCIL OF THE CITY OF BISBEE, COUNTY OF COCHISE, STATE OF ARIZONA, HELD WEDNESDAY, MAY 11, 2011, AT 6:00 PM IN THE BISBEE MUNICIPAL BUILDING, 118 ARIZONA STREET, BISBEE, ARIZONA.

THE MEETING WAS CALLED TO ORDER BY MAYOR PORTER AT 6:00 PM.

ROLL CALL

COUNCIL

Councilmember Boyd Nicholl, Ward I

Councilmember Bennie Scott, Ward III

Councilmember Luche Giacomino, Ward II EXCUSED

Mayor W.J. "Jack" Porter

Councilmember Anna Cline, Ward III

Councilmember Ransom Burke, Ward II, Mayor Pro Tempore

Councilmember Ken Budge, Ward I EXCUSED

STAFF

Stephen J. Pauken, City Manager

Gloria P. Gonzalez, City Clerk

Dee L. Flanagan, Finance Director

John Charley, Community Development Director

Jennifer L. Graeme, Personnel Director

Tom Klimek, Public Works Director/City Engineer

CITY ATTORNEY

John A. MacKinnon

EXCUSED

THE FOLLOWING ITEM WAS DISCUSSED AND/OR CONSIDERED AT THIS MEETING:

1. PRESENTATION AND DISCUSSION OF THE PROPOSED BUDGET FOR FISCAL YEAR 2011-2012.

Mr. Pauken continued with day 3 of the Proposed Budget for FY 2011-2012.

- Wastewater Fund provides all collection and treatment of wastewater use in the City of Bisbee. Mr. Pauken conveyed that this was an enterprise fund that operated independently financially. Mr. Pauken noted for the record that for the first time since 2006, the City would no longer receive "Transition Grant Money". When the project was completed, NADBank also gave to the City a five-year transition grant in the amount of \$124,000 for the current fiscal year which was the last allocation of transition money and would not be available for next Fiscal Year 2012. He explained that some years ago, the voters of Bisbee approved a sales tax increase of 1/2 of a penny to assist in the wastewater debt and is transferred into this fund. Mrs. Flanagan explained the sales tax regarding the month of June and July for accrual and un-accrual of the funds. Mr. Pauken also pointed out that the first 2.1M gallons of wastewater sold to FMI would be credited

against the QMT electrical upgrade project. He also said that there should be no revenue from the sale of water to FMI in the current Fiscal Year.

Councilmember Nicholl asked how HB 2193 would affect the City. Mrs. Flanagan explained that the City was in the process of drafting an Ordinance to modify the sewer rate and lien regulations to comply with State Code and Statutes to protect the City and would be presented to Council in the near future. Mr. Pauken proceeded to explain the impact HB 2193 could have on the City.

Mr. Pauken conveyed that there would be a 6% rate increase for wastewater this year.

- Sanitation Fund was also an enterprise fund that is responsible for the collection, process, and sale of recyclable materials and solid waste. Mr. Pauken commented that over the past five years, this fund was a success story because of the recycling efforts. The estimated recycling revenue of \$32,000 had doubled in the past two years. He added that the user fees remained the backbone of sanitation, estimating \$833,000 in revenues this year, to include a 3% garbage rate increase. The cost of tipping fees two years ago was \$200,000, estimated at \$165,000 this year and budgeted \$175,000 for next year. He also advised that the tipping fee would increase an additional \$1.00 per ton in the coming year, but that the City would make an effort to reduce the tonnage once again. He conveyed that equipment and furniture for dumpsters was budgeted for a larger amount this year for repairs and to transform residential areas from a dumpster site to individual roll-out container sites.
- Public Works Grants initiate projects outside the normal Public Works operations. Mr. Pauken conveyed that two grant projects were a WIFA grant for the sewers and the Fire Suppression System. The WIFA grant is for sewer connections and sewer lateral line repairs and the grant for the Fire Suppression will help to do extensive upgrade to the system. The Tintown Sewer Project has already been funded by USDA Rural Development in the amount of \$700,000 and currently anticipated that the BECC would fund the other \$700,000. The estimated cost for this project is \$1.4M which would fund the project 100%. Mrs. Flanagan was under the impression that the money would not go to the City, but had not yet seen the contract. She placed the appropriation and the revenue in the budget in case the City is responsible for the financial recording. In regards to the Hereford Sewer Project, she explained that this was work that had been agreed to do as part of the settlement, but was not entirely convinced that \$3,500 for next year was sufficient, and placed additional money from the settlement.
- Miscellaneous Grants reflects grant funds that have not been accounted for elsewhere in the budget that would include the library, parks, tourism and transportation grants. He explained that there was a technology grant pending at the Library. He said the miscellaneous grant is funded mainly because of an opportunity that could be procured by the City.
- Debt Service accounts for accumulation of resources and payment of general long-term debt principle and interest payments. Budgeted funds are transferred into this fund from the various funding sources. Mrs. Flanagan explained the debt service. This item includes the last payment for the police vehicles, two dump trucks, one garbage truck and two ambulances will be paid off. Mr. Pauken noted for the record that the Police vehicles purchased 3½ years ago, with a five-year purchase lease, were paid off as intended at the

time of purchase, He also clarified that transfers from RICO funds, and not the local tax payers, paid for the vehicles.

- Debt Service for the Wastewater Project accounts for the accumulation of resources and payment of debt related to the wastewater Project, and includes the annual debt payments for Water Infrastructure Finance Authority (WIFA) and USDA. Mrs. Flanagan explained the transfer to reserves into the Wastewater Fund was because the City was legally obligated to set aside reserves to pay the debt. It also accounted for next year's principal payments of \$698,000 and interest payments are \$395,000.
- Youth Fund - Mr. Pauken explained that this fund has an endowment of \$103,000 that was placed in this fund and any interests or proceeds generated by this fund were used to fund activities. The Youth Council do make efforts to raise a little money on their own at different functions throughout the community. Expenditures made by Youth Council require a recommendation to Council at the appropriate time.

Councilmember Nicholl asked if they would provide money towards the swimming pool. Mr. Pauken replied that it was worth a request. Mrs. Flanagan indicated that the Youth Council had approximately \$22,000 of residual reserves that was in addition to the \$103,000.

- Wastewater Project Fund has been complete and closed out for a couple of years. There is no proposed revenue proposed or have any expenditures. This fund remains in the budget because it has to show history for two prior Fiscal Years.
- Capital Improvements Program - Mr. Pauken explained that there were a couple of programs being funded. \$122,000 was set aside of additional Arizona Street monies and the \$22,000 is for the vehicle exhaust system for the Fire Department.

Mr. Pauken grouped the following items together because although separate, they were linked together as a part of the Community Development Department. Mr. Pauken explained the role of the Community Development and recognized the many accomplishments implemented by the department.

- Visitor Center operations, overseen by the Community Development Director, draws about 60,000 tourists annually. In the last couple of years, reserves had to be to operate the Center because of economic times. The reserves used have been taken from Visitor Center reserves and not from General Fund money. Mr. Pauken explained that the City did not want to quit investing in the operation even though it has been a difficult economy for tourism. The City managed to have a pretty good year. Mr. Pauken explained that Visitor Center Reserve Funds needed to be used in order to balance the budget. Mr. Pauken added that the City was investing out of the bed tax for any advertisement. Ms. Smerkenich has been adept to working with travel writers and working with the bus tour operators. The travel writers, in the last year, the City has received the equivalency of over \$1M of free publication, not only in the United States, but from all over the world.
- Bisbee Arts Commission Fund activities are overseen by the Community Development Director and authorized by the Council to promote the arts and artists in Bisbee. Mr. Pauken explained that the Arts Commission wanted to return to being an Advisory

Commission only. The Arts Commission also requested that Council donate the remaining balance of the money in the BAC fund; however, this request was still pending and would be addressed at a later date.

- Queen Mine Fund continues to flourish, but have taken a little hit on the Mine Tour. Mr. Pauken indicated that they continue to be conservative, but was optimistic that local revenues would improve slightly in the coming year. The merchandise sales were flat, but was also optimistic of improvement as well in the coming year. Transfers to Capital projects included \$100,000 for upgrade of decent bathrooms, \$10,000 for electrical and \$5,000 to continue to work on the escape route. There is \$47,000 in transfer from reserves for funding of the operation.
- Bisbee Bus operations are overseen by the Community Development Director and funded primarily through the Arizona Department of Transportation 5311 Program. Mrs. Flanagan indicated that the City receives funding, but there is a match to this funding, but the match was In-Kind, The bottom line it costs the City \$8845 out of the General Fund to operate the bus. She said virtually all of the matches were In-Kind and very little was out of pocket.

Mrs. Flanagan explained that Council would be approving the Tentative Budget at the next Council meeting. She explained that once this budget was approved, Arizona Revised Statute did not allow that budget to be increased. She indicated that based on discussions from the Work Sessions, the following changes need to be made to the Proposed Budget:

- Funding for the City Manager to attend the League Conference would be removed from the budget.
- The City Pool would open by utilizing additional revenues, using donations, increase fees, or as a last resort, funding from the Arizona Water Settlement.
- Increase funding for the Bakerville 3 Project.
- Increase funding for the Hereford Road Project.
- Add donations in the pool category to accommodate the generous donations that would be provided from the public.
- Remove the Debt Service for the Police Department vehicles.
- Add water sales from FreePort McMoRan to the Sewer budget. Mrs. Flanagan indicated that she would like to review the contract to anticipate the revenue from these sales.

MOTION: Councilmember Nicholl move to adjourn.

SECOND: Councilmember Cline.

MOTION PASSED: UNANIMOUSLY

ADJOURNMENT: 8:00 PM.

W.J. Porter, Mayor