

**Minutes of a Special Meeting of the Common Council of the Town of Clarkdale  
Held on Tuesday, January 26, 2010.**

A Special Meeting of the Common Council of the Town of Clarkdale was held on Tuesday, January 26, 2010, at 3:00 PM at Clark Memorial Clubhouse, Men's Lounge, 19 N Ninth Street, Clarkdale, Arizona.

**CALL TO ORDER 3:00**

Town Council:

Mayor Doug Von Gausig  
Vice Mayor Jerry Wiley

Councilmember Patricia Williams  
Councilmember Curtiss Bohall  
Councilmember Richard Dehnert

Town Staff:

Town Manager Gayle Mabery  
Assistant Town Manager Janet Perry  
Police Chief Pat Haynie  
Utility Director Wayne Debrosky  
Court Supervisor Katie Ihnen

Town Clerk/Finance Director Kathy Bainbridge  
Community Development Director Sherry Bailey  
Public Works Director Steve Burroughs  
Building Inspector Paul Grasso  
Deputy Town Clerk Walt Good

**PUBLIC COMMENT** – The Town Council invites the public to provide comments at this time. Members of the Council may not discuss items that are not specifically identified on the agenda. Therefore, pursuant to A.R.S. §38-431.01(G), action taken as a result of public comment will be limited to directing staff to study the matter, responding to any criticism or scheduling the matter for further consideration and decision at a later date. Persons interested in making a comment on a specific agenda item are asked to complete a brief form and submit it to the Town Clerk during the meeting. Each speaker is asked to limit their comments to five minutes.

No Public Comment.

**CONSENT AGENDA** - The consent agenda portion of the agenda is a means of expediting routine matters that must be acted on by the Council. All items are approved with one motion. Any items may be removed for discussion at the request of any Council Member.

- A. Reports** - Approval of written Reports from Town Departments and Other Agencies  
Building Permit Report – December 2009  
Capital Improvements Report - December 2009  
Magistrate Court Report – December 2009  
Police Department Report – December 2009  
Water and Wastewater Report – December 2009  
Clarkdale Fire District Report and Mutual Aid Responses Report – December 2009  
Cottonwood Area Transit (CAT) Operations Report – No Report  
Verde Valley Humane Society – December 2009
- B. Approval for a Request for Extension of the Financial Assurance Time Requirement for Wildhorse Acres Estates Minor Subdivision** - Approval for a request for extension of the financial assurance time requirement for Wildhorse Acres Estates Minor

Subdivision.

Vice Mayor Wiley moved to accept the Consent Agenda as prepared by staff. Councilmember Williams seconded the motion. Motion unanimously approved.

## **NEW BUSINESS**

**CLARKDALE METALS UPDATE** – Update from Tom Piccioli, Clarkdale Metals, on the current and future operations.

Tom Piccioli, Clarkdale Metals, introduced Ian McNeil, Searchlight Minerals, Chief Executive Officer. Searchlight Minerals is the parent company of Clarkdale Metals. Mr. McNeil gave Council an update on the past, current and future operations. This past couple of years Searchlight had amassed \$60,000,000 for start up operations. The set-up module is done, and the company is able to grind the slag to a small enough particle so that the gold and other precious metals can be extracted. The company has recently ventured out for \$15,000,000 in operating funds to carry them through 2011.

Currently Clarkdale Metals is waiting for some equipment to arrive to begin the next milestone. Clarkdale Metals is now operating 24 hours a day, seven days a week and has about forty employees. This production stage is working with the leach and extraction phase of recovery. The current milestone goal is to have the plant operating in a continuous manner. Searchlight had a Press Release today stating an independent engineer has tested the operation for certification of results. The operation hopes it can reclaim about 0.4 ounces of gold per ton of slag processed. During the current startup stage Clarkdale Metals intends to work about 100 tons a day with an ultimate goal of 200 ton per day of slag processed.

Mayor Von Gausig asked how much assay gold is reclaimed per ton of slag and at what dollar value does gold have to be for the operation to stay profitable. Mr. McNeil responded that from the test boreholes the amount of gold per ton is about 0.5 ounces and the goal is to reclaim 80% or 0.4 ounces per ton. This type of operation is a low cost production. The company does not have to move large amounts of earth and does not have reclamation issues with toxic byproducts. The operation has to process existing slag into a fine grind to be worked. The breakeven point for the company is \$200 an ounce for gold and the current price is over \$1,100.

Councilmember Williams asked when they intend to be at full employment force. Mr. McNeil explained equipment is coming in and has to be set up and tested before they can get to the 200 tons a day. What Clarkdale Metals is trying to do now is run continuously. Slag is being processed through the pilot plant daily.

Mayor Von Gausig asked if the sample 100 ton test was homogenous equal in amounts of gold throughout the sample. Mr. McNeil stated that all the samples from all 36 test boreholes run have provided five ounces per ton with no noticeable difference.

Councilmember Dehnert asked if any employment projections are being made for the rest of this year. Mr. McNeil replied that because of the training needed to bring on a new employee, they want to get the system refined and running continuously before adding new staff.

Councilmember Bohall asked what other minerals are being recovered. Mr. McNeil stated that they are getting some copper, silver and zinc. The economics of this project is the gold; they are going after the other base metals for a ferro-silicate (clean byproduct) that can be sold.

Mayor Von Gausig asked what the plan was if the ferro-silicate byproduct was not sold. Mr. McNeil replied that the byproduct is environmentally benign and can be used in a many fashions including spread across the property owned by the company.

Mayor Von Gausig asked about the training and if any training partnership had been formed with Yavapai College in conjunction with Yavapai College mining classes. Mr. McNeil responded that most of their training is safety and proprietary and this type of reclamation is not being done anywhere else in the world.

Mayor Von Gausig asked if they were covered under Mine Safety and Health Administration (MSHA) or Occupational Safety and Health Administration (OSHA). Mr. McNeil replied that they are under discussion with MSHA as they do not consider themselves a mining operation but rather a reclamation operation. The plant had a MSHA inspection last fall and had 8 citations, which were immediately corrected. The plant works to MSHA standards but still believes they should be covered under OSHA.

Mayor Von Gausig asked what the entry level wage was for the plant workers. Mr. McNeil responded the current wage scale is \$12.50 to \$25.00 an hour for the workers.

Councilmember Dehnert asked what the benefit package was for the workers. Mr. McNeil replied that no package is currently offered but that the company intends to offer a package to retain the experienced workers when the operation is in full continuous production.

Paul Grasso, Building Inspector, asked when the company will move beyond the current 100 ton a day to the 200 ton a day continuous operation. Mr. McNeil stated that when the plant is in continuous operation they will bring in engineers to do a feasibility study and with that they will advance to the next milestone.

Bill Regner, Clarkdale Planning Commission, asked the depth of the boreholes and if the grade varied in the test by elevation. Mr. McNeil replied that there had been tests sent to independent laboratories to assay the amount of gold per borehole at varied elevations within that hole and also that is how they found the product to be homogeneous in gold makeup.

Bill Regner, Clarkdale Planning Commission, asked about the other holdings the company has in the industrial area and what the plans are for that property. Mr. McNeil stated that the company is concerned with the gold reclamation operation project now and no discussions on the other property are currently in process.

Mayor Von Gausig asked what brought Searchlight to Clarkdale and the slag pile. Mr. McNeil replied that he had worked with NANO Industries and Verde Iron put together a package that was worth the venture.

Mr. McNeil concluded his presentation with the statement that there are many good projects throughout the country and what makes this one different is the Town's willingness to work with

the company. Investment bankers look at how secure the company permits and relationship is with the local municipality, and the Town of Clarkdale has worked well with this project. Mayor Von Gausig replied that is a two edged statement in that the Town looks at how well the company works with the Town, and Mr. Piccioli has always worked well with the Town.

**RESOLUTION MAKING ADDITION TO COURT DEPARTMENT FEES IN THE TOWN FEE SCHEDULE** – Discussion and consideration of Resolution #1322 replacing Resolution #1318 - Town Fee Schedule, adding Court Deferral Fee section.

Katie Ihnen, Court Supervisor, informed Council that approval of this resolution would allow the Town to retain the fee instead of sharing it with the State of Arizona.

Mayor Von Gausig asked what was the typical fee now being charged. Ms. Ihnen replied about \$195. Mayor Von Gausig asked if that was at the Magistrate or Prosecutor's discretion. Ms. Ihnen stated it is at the Prosecutor's discretion.

Vice Mayor Wiley moved to approve Resolution #1322 replacing Resolution #1318 – Town Fee Schedule, adding Court Deferral Fee section. Councilmember Dehnert seconded the motion. Motion approved unanimously.

**INTERGOVERNMENTAL AGREEMENT FOR WATER SHARING BETWEEN THE TOWN OF CLARKDALE AND THE CITY OF COTTONWOOD** – Discussion and consideration to approve the Intergovernmental Agreement for Water Sharing between the Town of Clarkdale and the City of Cottonwood with an effective date of February 1, 2010.

Utility Director Debrosky explained the need for the IGA for Water Sharing between the Town of Clarkdale and the City of Cottonwood. When the communities joined together to purchase the water company the ultimate goal was to separate the two systems but still be able to share resources as needed.

In November 2009 a master meter was installed at Old Jerome Highway and Black Hills Drive. This meter and the meters that supplies upper Cottonwood Ranch and connects all of Pine Shadows, will allow the two systems to be separated and meter flow of water from one municipality to the other municipality.

Mayor Von Gausig asked about the meter at the top of Black Hills that supplies upper Cottonwood Ranch. Utility Director Debrosky replied that meter was installed on September 5, 2009; this supplies the water to that area. The line was in place when the system was purchased in 2006, the same with Pine Shadows. Town Manager Mabery stated the amount of water that has been supplied to City of Cottonwood customers in these two areas is about equal to the amount of water that the Town of Clarkdale has drawn from Cottonwood through the Black Hills/Old Jerome Meter. Mayor Von Gausig asked if the \$1.50 per thousand gallons would cover the cost of producing the water. Utility Director Debrosky replied that it was higher than the cost to produce; it cost the Town of Clarkdale about \$1.00 to produce that amount. Mayor Von Gausig inquired about feeding water from the Mountain Gate Tank up to the Haskell Springs Tank. Town Manager Mabery replied that was one on the inadequacies of the current system as we can draw from Haskell Spring to Mountain Gate we do not have the capability to flow the other direction. The inter transfer of water from both tanks to the other tank is a long term goal of

the Town of Clarkdale water system.

Vice Mayor Wiley asked what the current production was out of the Haskell Springs Well. Utility Director Debrosky replied that the Town runs about 300 to 325 gallons per minute. With that usage the Town does not see much variance in the static or dynamic levels of the well. In fact the well at times shows an increase in water table levels.

Mayor Von Gausig asked who will do the maintenance of the meters. Utility Director Debrosky replied that this agreement requires the City of Cottonwood to do the maintenance of the meters and that the Town of Clarkdale will share cost on a 50/50 basis.

Councilmember Dehnert asked about the future options for this agreement. Utility Director Debrosky replied that the agreement can be changed; transfer only in case of emergency or adjust the rate. Town Manager Mabery added that this agreement is a year to year agreement and can be automatically renewed if neither party wants any changes. Every year Council has the option to request changes or terminate the agreement.

Mayor Von Gausig asked about the scheduling to read the meters. Utility Director Debrosky informed Council that the meters are read every Monday morning in conjunction with Cottonwood personnel. The Town of Clarkdale has access to the meters at any time to gather any readings that the Town would want.

Councilmember Bohall asked about the reversing of the direction of flow in a pipe. Utility Director Debrosky replied that at the Black Hills booster by doing the reverse flow regularly the pipe does not build up scale in one direction.

Councilmember Bohall moved to approve the Intergovernmental Agreement for Water Sharing between the Town of Clarkdale and the City of Cottonwood with an effective date of February 1, 2010. Vice Mayor Wiley seconded the motion. Motion approved unanimously.

**AN ORDINANCE OF THE TOWN OF CLARKDALE, ARIZONA, AMENDING CHAPTER 7, SECTION 7-3-1 IN THE CODE OF THE TOWN OF CLARKDALE TO ADD SECTION 7-3-1(M)(1) IN ORDER TO DELETE EXCEPTION 1 TO SECTION 608.16.4 OF THE 2006 INTERNATIONAL PLUMBING CODE, REPEALING CONFLICTING ORDINANCES AND PROVIDING FOR SEVERABILITY.** – Discussion and consideration of Ordinance #325, amending Chapter 7, Section 7-3-1; Plumbing Code, by creating Section 7-3-1(M)(1) which deletes reference to Section 608.16.4; Exception #1, of the International Plumbing Code - Connections to automatic fire sprinkler systems and standpipe systems, from the Code of the Town of Clarkdale repealing conflicting ordinances and providing for severability.

Paul Grasso, Building Inspector, explained to Council that when this code was changed, most new construction requiring sprinklers were on the Town of Clarkdale water system. The Town has had four installations that were done by a residential well system, creating potential for backflow issues.

Mayor Von Gausig asked if the potable water system is directly connected to the sprinkler system. Paul Grasso replied that could happen but the Fire District requires a 300 gallon storage tank. This change will ensure that there is no cross contamination.

Councilmember Dehnert motioned the approval of Ordinance #325, amending Chapter 7, Section 7-3-1; Plumbing Code, by creating Section 7-3-1(M)(1) which deletes reference to Section 608.16.4; Exception #1, of the International Plumbing Code - Connections to automatic fire sprinkler systems and standpipe systems, from the Code of the Town of Clarkdale repealing conflicting ordinances and providing for severability. Councilmember Bohall seconded the motion. Motion approved unanimously.

**GREATER ARIZONA MAYORS ASSOCIATION MEMBERSHIP** – Discussion and consideration of the Town of Clarkdale becoming a member of the Greater Arizona Mayors Association.

Mayor Von Gausig gave Council the information on the Greater Arizona Mayors Association and reasons for the Town of Clarkdale to become a member. This organization has been meeting unofficially for six months. The primary goal of this group would be to promote the Northern Arizona united front on items of mutual interest.

Vice Mayor Wiley asked if the Towns on the Navajo and Hopi reservation be eligible to join. Mayor Von Gausig said they would be eligible to join.

Councilmember Dehnert asked if the group envisioned ever needing to hire their own lobbyist. Mayor Von Gausig replied that he does not foresee any item that would require hiring a lobbyist however, it could be a possibility. Anything that is proposed by the group would have to come back to each Council for approval by each member municipality.

Vice Mayor Wiley moved to approve the Town of Clarkdale becoming a member of the Greater Arizona Mayors Association. Councilmember Williams seconded the motion. Motion approved unanimously.

**BUDGET UPDATE** – A worksession to discuss the second quarter of the 2009-2010 Budget year.

Finance Director/Town Clerk Kathy Bainbridge provided Council a PowerPoint presentation on the 2<sup>nd</sup> quarter of the Town budget.

The Street Fund shows a surplus of \$71,270.08 at mid fiscal year. The Town does not anticipate losing any State funds this year but most likely will next year. None of the street repairs have been scheduled yet this year and probably will not be scheduled.

The Wastewater Fund also has a positive amount at mid-year of \$38,890.79. Mayor Von Gausig asked how much of these funds were budgeted for depreciation. Finance Director Bainbridge replied that the Town has not been budgeting for depreciation. The Town intends to add a depreciation line to the budget for water and wastewater to ensure that the current rates are covering the future expenses. Mayor Von Gausig reminded the Finance Director that we also need to include the future resources.

The Sanitation Fund, trash collection, is positive to \$35,937.09. Town Manager Mabery informed Council that this fund was to pay for the improvements to the Town computer upgrade but we cannot find where that was done. The Sanitation Fund should reimburse the General Fund

for those expenditures.

The Water Fund is over \$72,363.90 at the end of the second quarter. Depreciation is not being budgeted yet in this fund.

The Cemetery Fund is over budget of \$7,486.39 this year. The Town made adjustments to the Cemetery Fund to cover expenses. More discussion will be held regarding this fund at Strategic Planning this year. Staff expenses continue to be the largest expense for the cemetery.

The General Fund Revenue is at about 40% of total budgeted revenues. Sales tax collection is the biggest area of deficiency. Building permits are down at about 8% instead of the 50% where they should be at now, creating a shortfall.

The General Fund Expenditure is at about 39% of total budgeted revenues. The reduced revenues are being mirrored by the reduced expenditures as staff identifies a shortfall; we find an area to reduce expenditures to offset the shortfall. In review of revenue versus expenditure ant mid-year the Town is over \$26,245.59.

Finance Director Bainbridge reviewed the Good New:

- Motor Vehicle Licenses close but over budget by 1.23%
- Highway Urban Revenue Fund (HURF) close but over budget by 1.5%
- State Sales Tax currently close to budget with a 2.78% shortfall.LTAF Funds were not swept by State

The Not so Good News

- Projected shortfall for Local Sales Tax is at 34% by June 30<sup>th</sup> which is \$303,326.
- Only 10.49% of the \$74,119 Construction Tax budgeted to fund the Capital Projects has been received. Projected collection is only \$18,530 which leaves a deficit of about \$56,000 in the Capital Project Fund.
- We do not have the surplus funds we hoped we would have in order to fund opening the pool.

Mayor Von Gausig thanked Finance Director Bainbridge for the update and for her presentation.

**FUTURE AGENDA ITEMS** - Listing of items to be placed on a future council agenda

No Future Agenda Items

**ADJOURNMENT 4:57 PM**

APPROVED:

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Doug Von Gausig, Mayor

ATTESTED:

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Kathy Bainbridge, Town Clerk

SUBMITTED:

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Walt Good, Deputy Town Clerk