Minutes of a Regular Meeting of the Common Council of the Town of Clarkdale Held on Tuesday, April 27, 2010.

A Special Meeting of the Common Council of the Town of Clarkdale was held on Tuesday, April 27, 2010, at 3:00 PM at Clark Memorial Clubhouse, Men's Lounge, 19 North Ninth Street, Clarkdale, Arizona.

CALL TO ORDER Meeting called to order at 3:00 PM by Mayor Von Gausig

Town Council:
Mayor Doug Von Gausig
Vice Mayor Jerry Wiley
Councilmember Patricia Williams
Councilmember Curtiss Bohall
Councilmember Richard Dehnert -Absent

Town Staff:
Town Manager Gayle Mabery
Utility Director Wayne Debrosky
Police Chief Pat Haynie
Town Clerk/Finance Director Kathy Bainbridge
Community Development Director Sherry Bailey
Public Works Director Steve Burroughs
Assistant Town Manager Janet Perry

Town Attorney Pecharich

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.

Ellie Bauer, Clarkdale was wondering if there was a plan for the Town between now and when the Clarkdale Sustainability Park opens.

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 – March 2010
Capital Improvements Report – March 2010
Magistrate Court Report – March 2010
Police Department Report – March 2010
Water and Wastewater Report – March 2010
Clarkdale Fire District Report and Mutual Aid Responses Report – March 2010
Cottonwood Area Transit (CAT) Operations Report – March 2010
Verde Valley Humane Society – No Report

B. Proclamation Declaring May 1, 2010 through May 7, 2010 as Youth Week in Clarkdale, Arizona – Approval of a Proclamation declaring May 1, 2010 through May 7, 2010 as Youth Week in the Town of Clarkdale.

C. Intergovernmental Agreement for Establishment of Unified Emergency Management – Approval of the 2010-2011 Intergovernmental Agreement between Yavapai County and the Town of Clarkdale for Emergency Management Services.

D. Strategic Alliance for Volume Expenditures (SAVE) Cooperative Purchasing Agreement – Approval of the Strategic Alliance for Volume Expenditures (SAVE) Purchasing Agreement.

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

OLD BUSINESS

RESOLUTION APPOINTING THE TOWN'S REPRESENTATIVE TO THE NORTHERN ARIZONA COUNCIL OF GOVERNMENTS (NACOG) – Discussion and consideration of Resolution #1331, making appointments as the Town of Clarkdale's representative to NACOG, effective June 8, 2010.

Vice Mayor Jerry Wiley is the Town's current representative to NACOG. With the expiration of the Vice Mayor's term in office in June, we will need a new representative to NACOG. Vice Mayor Wiley has asked that we take action to appoint a new NACOG representative at this time in order to make a smooth transition.

Although the appointment would be made now, the staff recommends that the appointment be effective June 8, 2010, to coincide with the expiration of Vice Mayor Wiley's term in office.

Councilmember Dehnert reported to the Mayor that he would have the time to be on NACOG.

Vice Mayor Wiley moved to approve Resolution #1331, the appointment of Councilmember Dehnert to replace Jerry Wiley as Clarkdale's representative to NACOG, effective June 8, 2010. Motion seconded by Councilmember Bohall. Motion approved unanimously.

The Mayor re-ordered the agenda for the Trial Budget item to be moved to the end of the meeting.

NEW BUSINESS

WORKSESSION ON THE HIGHLANDS DEVELOPMENT AND PROPOSED DEVELOPMENT AGREEMENT AMENDMENT ITEMS – A worksession to update the Council on the Highland's project and discussion regarding project solutions to get this project back on track.

The new owner of the Highlands development {PTM} started finishing the infrastructure issues at the development and stabilizing the project. Steve Biasini, speaking for John Tobias, the owner, wants to get the project back on track but realizes there are some major issues that need to be resolved. Mr. Tobias is also proposing a second amendment to the Development Agreement to address his solution to some of the issues that keep the project from moving forward.

Mr. Tobias is proposing that up to 80 lots, including the 40 already sold lots, be allowed to go on temporary septic systems with County approval. They are also proposing that some lots be allowed to go on the Town's existing sewer system. They believe, with some disposal modifications which they are helping to determine, the Town has available capacity to accept some small number of lots. They are also proposing that the Town and the developer continue negotiations on an agreement for a long term solution to the project's and the Town's waste water treatment plant requirements.

The main discussion points were that PTM recognizes the Highlands Project cannot proceed without a wastewater solution, the current package plant is not usable for long term solution, and Clarkdale has surface effluent disposal issues with ADEQ.

Mayor Von Gausig stated that although there were many items wrong in the beginning development of the Highlands, the Town did nothing wrong in this project. If the Town would allow temporary septic systems for residential and commercial, the project could move forward. The developer is not asking the Town of Clarkdale for money, but they are asking the Town to compromise on a health and safety issue by allowing temporary septic systems. How do you make sure that temporary stays temporary?

Utility Director Debrosky has not seen any recommendations regarding the existing plant, but the existing plant is pretty set. He thinks that under the circumstances this is the most logical temporary solution, temporary being 5 - 10 years, and sees no permanent solution before that.

Dana Belknap, Gallagher & Kennedy, P.A., said the ultimate conclusion was for the development's wastewater to end up in a new Town wastewater plant. They would like six months to work with Town on issues regarding a long term plant, funding, size, and disposal options. In meantime, Mr. Tobias would like, if the market permits, to move forward by 1) getting temporary sewer to Town; 2) having a temporary fix for the 40 sold lots so owners can build; 3) keep the

wastewater at an onsite plant, (not with what they currently have) which would be the only long term solution.

Mayor Von Gausig stated that there are a lot of details to work out. He is resistant to 40 – 80 septic tanks, and is not comfortable with that as a long term solution. There has to be assurances, such as the collection of escrow money, so the town has reasonable expectations to get the owners off the septic systems at the Town's option, not home owners.

Attorney Pecharich stated that the Town has a legitimate concern to make sure that temporary is temporary. The Town might consider voluntary deed restrictions that state the owner would connect to the wastewater plant as soon as available. On the 40 lots already sold, the owners might be amenable to something like a voluntary deed restriction so that they could build on their lots.

The Council was impressed with the recent improvements made and would be willing to work with developers on the issues so that the development can move forward.

WORKSESSION REGARDING THE GENERAL PLAN UPDATE TIMELINE – A worksession to update Council regarding the timeline for approval of the General Plan Update.

The original intent of the General Plan Update Committee was to work towards General Plan update voter approval in November, 2010. The Circulation and Transportation portions of the update are scheduled to be reviewed in conjunction with the Planning Assistance for Rural Areas (PARA) study Steve Burroughs is managing. The timeline for the PARA Study is such that March 8, 2011 is now the first scheduled election that allows us to finish the planning process, have our public hearings, correct any issues, and meet the publication deadlines for the election. It is a very doable schedule. If the council concurs, we will proceed on this timeline. Both the General Plan Update Committee and the Planning Commission believe we can meet this schedule.

General Plan Update Committee	21-Jun-10
GPUC and Planning Commission Joint Mt	19-Jul-10
Planning Commission Public Hearing	17-Aug-10
Planning Commission Approval	21-Sep-10
Town Council Public Hearing	12-Oct-10
Town Council Approval	26-Oct-10
Town Council Call for Election	08-Nov-10

The Mayor re-ordered the agenda for the Public Surplus On-line auction services item to be after the Worksession to discuss proposed increases to the water utility rates.

WORKSESSION TO DISCUSS PROPOSED INCREASES TO THE WATER UTILITY RATES – Discussion regarding the criteria staff has evaluated in developing the rate proposal, and guidance from the Council on how they would like to move forward with water utility rate adjustments.

The Town's current water rates were established in January, 2006, upon the initial purchase of the water system from a private owner, and have not been increased since that time. The water utility was set up as an enterprise fund from its inception, which requires the system revenues to be set at an amount to cover all the system costs. The initial rates were based on a number of criteria, some of which were fixed and others that were the best estimates at the time. Those criteria included:

- Annual Operations and Maintenance Costs
- Repayment of the loan that was taken out to purchase the water company
- Repayment of the loan that was taken out to fund the first 3 years of a 10 year system improvement plan
- Costs to meet the new federal standards for arsenic removal
- Coverage for system replacement over time

It has been apparent for several years that, while our initial rate structure was providing a revenue stream to effectively cover most of the above criteria, we are not generating sufficient revenues to cover the costs for system replacement (depreciation costs).

Recognizing that rate increases were imminent, the Council developed two strategic priorities in the past several years that they wanted implemented before we considered a rate increase. The first, placing the water billing function as an internal Town process (we contracted for this service from the City of Cottonwood initially), was accomplished in March, 2008. The second priority was to take over all the system operations and maintenance responsibilities as an internal Town process (again, we had contracted for this service from Cottonwood). This priority was accomplished in July, 2009. Taking on both these functions allows the Town to better analyze our operational costs, and allowed us to reduce operating expenses. Although the expense reductions we've implemented have helped our bottom line, our rates still do not allow for sufficient resources to be dedicated for system replacement (depreciation). During the Trial Budget Workshops and Council Budget Worksessions in 2009, it was clearly stated that a water rate increase would have to be implemented in 2010.

During the February 23, 2010 Council meeting, the Town's Annual Financial Report was given to the Council by our auditor. Although the auditors gave the Town a "clean opinion" or an "unqualified opinion" which is the highest opinion that an auditor can give to any type of entity, the auditor cautioned the Council about the need to increase revenues in the enterprise funds (water and wastewater)

so that we can appropriately budget for depreciation in those funds. The auditor's recommendation was to annually budget $270,000 for depreciation in the water utility, noting that budgeted depreciation is one way to ensure unrestricted cash resources have been set aside for future replacement or purchase of major infrastructure.

During the Council's annual Strategic Planning Session on February 26, 2010, the Council again took up the discussion of the Town's water rates. In recognition of our continued inability to set aside adequate funds for depreciation (system replacement and improvements), the Council asked the staff for recommendations on water rates, with the following parameters:

- Investigate the creation of additional tiers within the rate structure to encourage water conservation
- Incentivize low water use and ensure that the lowest water users are the least impacted by water rate increases
- Develop a long term plan to address the inadequacies in the depreciation fund
- Evaluate the possibility of establishing a rate structure that rewards customers who meet a target gallons per capita per day (gpcpd)

Staff has been analyzing rate structure proposals since the 2010 Strategic Planning Session, and have developed a rate proposal that addresses a number of the parameters set by the Council in February. The proposal before the Council tonight includes the following provisions:

- Establishes four new tiers to encourage closer monitoring for water conservation
- Establishes a "System Replacement Fund" and implements a monthly surcharge that is dedicated for depreciation and system replacement costs
- Limits the rate impact to our lowest water users (who use under 1,000 gallons per month) to the system replacement surcharge
- Implements increases in per thousand gallon water pricing in each tier (except the under 1,000 gallon tier), with lowest percentage increases for lower tiers, and highest percentage increase in highest tiers
- Establishes a pricing incentive for single-meter, multi-family users that meet low water use criteria
- Provides 50% of the annual funding recommended by the Town's auditor for system replacement (depreciation)
- Relies on presumption that debt will be incurred in the future for the remaining 50% of system replacement
- Relies on the presumption that any undedicated system revenues at the end of a fiscal year will continue to be transferred to the system improvement funds

The recommended tier structure referenced above is as follows:

Current Tier Structure	Proposed Tier Structure
0-1,000 gallons per month – Included in Base Rate	0-1,000 gallons per month – Included in Base Rate
1,001 – 10,000 gallons per month	1,001 – 5,000 gallons per month
10,001 – 20,000 gallons per month	5,001 – 10,000 gallons per month
Over 20,000 gallons per month	10,001-15,000 gallons per month
	15,001-20,000 gallons per month
	20,001-25,000 gallons per month
	25,001 – 30,000 gallons per month
	Over 30,000 gallons per month

The recommended System Replacement Surcharge is 8.5% of the monthly base rate per meter, and is recommended as follows:

Meter Size	Current Monthly Base Rate	**System Replacement Surcharge**
5/8"	$23.50	$2.00
1" *	$39.00	$3.32
1.5"	$78.00	$6.63
2"	$125.00	$10.63
3"	$250.00	$21.25
4"	$395.00	$33.58
6"	$790.00	$67.15
8"	$1,248.00	$106.08
*A customer having a 1" meter solely to service a mandated residential fire sprinkler system will be charged a 5/8" System Replacement Surcharge		

Current Tier Structure	Current Rate/Thousand Gallons Used	Proposed Tier Structure	Proposed Rate/Thousand Gallons Used
0-1,000 gallons per month – Included in Base Rate		0-1,000 gallons per month – Included in Base Rate	
1,001 – 10,000 gallons per month	$4.00	1,001 – 5,000 gallons per month	$4.35
		5,001 – 10,000 gallons per month	$4.45
10,001 – 20,000 gallons per month	$5.60	10,001-15,000 gallons per month	$6.25
		15,001-20,000	$6.50

		gallons per month	
Over 20,000 gallons per month	$7.84	20,001-25,000 gallons per month	$9.25
		25,001 – 30,000 gallons per month	$9.45
		Over 30,000 gallons per month	$9.60
		Single Meter, Multi-Family User @ up to 5,000 gallons per household/unit	$8.53

Proposed Tier Structure	Average Total % Increase for Customers in this category (including System Replacement Surcharge and Tier Increases)	Average Dollar Increase per month for Customers in this Category
0-1,000 gallons per month – Included in Base Rate	7.11%	$2.19
1,001 – 5,000 gallons per month	7.79%	$4.10
5,001 – 10,000 gallons per month	9.54%	$7.11
10,001-15,000 gallons per month	10.48%	$12.85
15,001-20,000 gallons per month	14.27%	$21.87
20,001-25,000 gallons per month	16.62%	$40.73
25,001 – 30,000 gallons per month	19.10%	$55.00
Over 30,000 gallons per month	21.65%	Depends on volume
Single Meter, Multi-Family User @ up to 5,000 gallons per household/unit	8.78%	Depends on volume

84% of our water customers fall in the tiers that are less than 10,000 gallons of water used per month. Those customers use 47.76% of our water sold. The remaining 16% of our customers use 52.24% of the water sold. The average customer use in Clarkdale in 2009 was 6,400 gallons per month. Comparing the

current rate structure for a customer using 6,400 gallons per month to the proposed rate structure shows a $5.34 increase per month, or 9.08%.

The rates presented above are estimated to generate approximately $135,000, or 50% of the total amount necessary to fully fund system replacement/depreciation

Mayor Von Gausig stated that infrastructure is deteriorating and we need to have funds for future improvements. The average impact being in the $3 - $5 range, along with the tiers help the people that need it most.

The rate increase information will be included with the Annual Drinking Water Quality Report which will be mailed to all customers in May.

Mayor opened this to public comment.

Darrel Macey, Clarkdale – owner of Lamplighter Village, was impressed by the amount of work that went into accommodating the residents and agrees that this is an acceptable increase.

Public comment closed.

Mayor Von Gausig stated that we should we moved forward with water utility rate adjustment process which takes about 90 days.

PUBLIC SURPLUS ON-LINE AUCTION SERVICES – Discussion and consideration regarding the use of Public Surplus On-Line Auction Services for selling the Town's surplus items.

Arizona State Statue section 9-402 states that a Town may not sell and convey all or any part of its real or personal property until an invitation for bids for the purchase of the property has been published and notice has been posted in three or more public places within the town. The publishing costs and timelines for the bidding process have prohibited the Town from disposing of unused items on a regular basis.

Municipalities are now using on-line auction services in lieu of individual bidding notices or auctions. Tucson, Scottsdale, Prescott, Prescott Valley, Dewey-Humboldt, Chino Valley, Flagstaff, Peoria, Cottonwood, Sedona, Apache Junction, Benson, Globe, and Goodyear are just some of the municipalities that currently use Public Surplus for on-line auction services. The Counties of Mohave, Pima, Coconino, Navajo, and Pima along with fire districts, including the Verde Valley Fire District, school districts and universities are also using this site to dispose of their surplus items.

Public Surplus has for over 10 years, provided state and local governments with quality and reliability for selling surplus property via the internet. Currently, over 1,500

government agencies nationwide use their web-based applications. Public Surplus has been developed specifically for the unique needs of government agencies, and only government agencies can sell on Public Surplus.

Public Surplus is the most transparent auction system available. In most live auctions, sales results are not immediately available to all bidders. Public Surplus auction results are immediately available to both bidders and observers along with reporting listings that don't meet the agency reserve price. Auction results are available 24/7/365 via the internet. The extensive reporting section allows users to get the information they need when they need it.

There are no listing or re-listing fees associated with using the public auction feature. A transaction fee of 1% of sold items is all Public Surplus charges the agency when they collect. Public Surplus will also handle the entire collection process, from contacting winning bidders to providing access to pay via credit card. Public Surplus charges a bidders premium of 6%, if the Town would collect monies, and 9% if they collect the monies for the Town.

Vice Mayor Wiley moved to approve authorization to use Public Surplus On-line auction services for selling the Town's surplus items along with handling the entire collection process. Motion seconded by Councilmember Bohall. Motion approved unanimously.

APPROVAL OF PROJECT PROPOSAL FROM PARSONS AND ISSUANCE OF THE NOTICE TO PROCEED – TO CONSTRUCT THE SEWER LINE EXTENSION FROM THE 89A ARSENIC SYSTEM TO THE CEMETERY ENTRANCE – Discussion and consideration of the Project Proposal for Parsons, under the Mojave Job Order Contract (JOC), to construct the sewer line extension from the 89A arsenic system to the cemetery entrance and direction for the Utilities Department to issue a "Notice To Proceed" to Parsons for this project.

In 2009 the Town Council directed the Utilities Director to have Shephard Wesnitzer, Inc. (SWI) design and prepare engineering plans, regulatory submittals, bid documents and easement descriptions for a sewer line extension from the 89A arsenic system to the existing sanitary sewer connection by the cemetery's front gate on Valley View Road.
SWI has completed that work and a Pre-Bid Meeting was held on February 16, 2010. On March 10, 2010, Parsons met with the Utilities and Public Works Directors to discuss the project and review the project plans and other documentation. On April 19, 2010, Parsons, under the Mojave JOC, submitted a fee proposal, scope of work, and a cost estimate of $198,499.91 to construct the above referenced sewer extension project. This project is an expansion of the existing sewer infrastructure and will be paid for using Sewer Development Fees.

An incentive proposal for those lots that are within 300 feet of a sewer line will be brought back to Council. The proposal hopes to encourage property owners to complete required hook ups during a specified timeline and then the Town would

enforce the ordinance. The requirement has not been enforced and we should either start enforcing it or delete it.

Councilmember Bohall moved to approve the Project Proposal submitted by Parsons under the Mojave Job Order Contract (JOC), to construct the sewer line extension from the 89A arsenic system to the cemetery entrance and directed the Utilities Department to issue a "Notice To Proceed" to Parsons for this project. Motion seconded by Vice Mayor Wiley. Motion approved unanimously.

FISCAL YEAR 2010-2011 TRIAL BUDGET WORKSESSION– A worksession with the Council regarding the Trial Budget for FY 10-11.

Due to the time of the meeting and the fact that a Public Trial Budget Worksession is scheduled after this meeting there was no worksession

FUTURE AGENDA ITEMS – Listing of items to be placed on a future council agenda. There were no future agenda items.

ADJOURNMENT at 4:58 p.m.

APPROVED:

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Doug Von Gausig, Mayor

ATTESTED/SUBMITTED:

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Kathy Bainbridge, Town Clerk