

CITY OF WILLIAMS CITY COUNCIL

ANNOTATED MINUTES
AGENDA ITEM

PAGE 1

OCTOBER 28, 2010
COUNCIL ACTION

I. PROCEDURES:

- A. Call to Order Mayor Moore called the meeting to order at 7:00 p.m.
- B. Pledge and Invocation Police Chief Herman Nixon led the pledge of allegiance, and Ruth Sanzari offered the invocation.
- C. Roll Call Mayor John Moore and Councilmen Don Dent (Vice-Mayor), Bernie Hiemenz, Bill Miller, Lee Payne and James Wurgler were present and constituted a quorum. Frank McNelly was absent.
Present from City Staff were Acting City Manager/Finance Director Joe Duffy, Police Chief Herman Nixon, Public Works Director Glenn Cornwell, and City Clerk/HR Director Susan Kerley.
- D. Approval of Minutes from October 14, 2010 Susan Kerley explained that Laura Duncan had requested a correction on Page 2, paragraph 2, line 1, changing "Parks and Recreation Commission" to "City." Councilman Miller moved to approve the minutes with this correction. Councilman Hiemenz seconded, and the motion carried 5-0.
- E. Adoption of Agenda Councilman Miller made a motion to approve the Agenda, and Councilman Wurgler seconded it. The motion carried 5-0.

II. PRESENTATIONS:

- A. Cam Dan presented a check in the amount of \$1,750 to Councilman Hiemenz for scrap metal from the City. He has been removing old appliances free of charge and would like to coordinate with the City to do removals on Clean Up Days. Because he is bonded and insured, he can go onto private property to remove appliances for those who cannot do it themselves. Mayor Moore asked Joe Duffy and Staff members to coordinate removal efforts with Cam Dan. Councilman Wurgler provided some statistics of items removed, including 214 old appliances (101 of those were refrigerators), 1,375 electric motors, and 365 tires.

III. PUBLIC PARTICIPATION:

Ruth Sanzari asked why agendas for Council meetings are not in the newspaper or on the City's web site. Mayor Moore said that they were discontinued from the newspaper because of budget cuts, and Joe Duffy said that the City's computer server was down all week, preventing any computer work from being completed, including updating the web site.

IV. CONSENT AGENDA ITEMS:

- B. Approval of Purchase Orders: J. Duffy Councilman Dent moved to approve the consent agenda items. Councilman Hiemenz seconded, and the motion carried 5-0.

V. NON-CONSENT AGENDA ITEMS:

C. CONVENE PUBLIC HEARING

To discuss possible increase of electric rates. If adopted, new rates would go into effect on January 1, 2011.

CITY OF WILLIAMS CITY COUNCIL

ANNOTATED MINUTES
AGENDA ITEM

PAGE 2

OCTOBER 28, 2010
COUNCIL ACTION

Joe Duffy made a short presentation, explaining that on September 23rd, Council approved issuance of an electric analysis that was made available to the public on the City's web site and printed copies were available at City Hall. He said that the City acquired the electric system from APS and in 2003 entered into a 15-year power supply agreement with Pinnacle West that locked in the cost of electricity for 15 years. Officials at Pinnacle West are sure of a rate increase when this contract expires but are uncertain what that increase might be. If there are no rate increases imposed on customers between now and then, a sharp increase may prove necessary in 2018. In 2008 the City entered into a Preference Power Agreement from Parker Davis Dam, saving approximately \$120,000 a year. The City uses profits from the electric system to guarantee payment on bonds for \$30 million worth of capital projects, including a significant amount of the well drilling and water supply development expenses. These profits allowed us to do \$30 million of capital improvements without raising rates.

A 1% increase would increase the average residential bill by \$.67 per month and the average small commercial bill by \$9.49 per month. A 2% increase would increase the average residential bill by \$1.33 a month and the average small commercial bill by \$18.98 per month. A 3% increase would increase the average residential bill by \$2.00 per month and the average small commercial bill by \$28.47 per month.

Our electric system is getting older. On average \$279,000 has been spent every year for repairs and upgrades. If we build a reserve or pool, we can fund capital projects through electric system revenues.

Mayor Moore asked for comments from the public.

An unidentified female attendee said that there has been no raise in Social Security in three years. An increase in electric rates might mean that for some who are on Social Security a prescription might not be filled.

Rich Millard commented that he understands the need for replacement. However, there was no mention at the last Council meeting of potential rate increases. He is concerned about transparency in Council. He asked if it's incumbent upon Joe Duffy, since he's presenting it, to bring up both issues at once. He doesn't believe it passes the smell test.

Joe Wiese said he agrees with both Mr. Millard and Mr. Duffy. The City needs money to repair things. Could those on fixed incomes be given a discount or something?

Joe Duffy noted that the City does have a senior rate for sanitation.

Paul Robertson said that his wife was in a serious accident and cannot afford increases.

At 7:21 p.m., Council's Regular Session was reconvened by a motion from Councilman Hiemenz, seconded by Councilman Payne. The motion carried 5-0.

- D. Discussion and decision regarding increase of electric rates: J. Duffy
- Mayor Moore stated that he opposed any electric rate increase, period. We were hit with property tax increases and water rate increases. Qwest went up on telephone service. He gave an example of the owners of the dry cleaning business saying they closed their business because of water rates. This costs the City shopping in town that was done by people from the extended area who came to the cleaners. Those folks now go to Flagstaff or Chino Valley. He believes we will have to raise rates at some point. Right now, a school bond issue is coming up. We

CITY OF WILLIAMS CITY COUNCIL

**ANNOTATED MINUTES
AGENDA ITEM**

PAGE 3

**OCTOBER 28, 2010
COUNCIL ACTION**

must slow down and stop spending.

Councilman Hiemenz added that we don't have a clue as to what rates will be in 2018 and suggested that maybe Council should take a look in another year.

Councilman Dent pointed out, that if Council were making a full disclosure, then they would let the public know that if everybody loses power and has no heat, they should know that's because repairs to upgrade the system were not done. It would be easy for Council members to sit there and do nothing until 2018. In making a full disclosure, the longer rate increases are put off, the larger they will be.

Mr. Millard added that he understands it is Joe Duffy's job to get the system fixed before it's too late. Business and traffic are down in town. To some degree, drops in business mean drops in demand for power. He understands it is Joe's job to keep us ahead of the curve. What he is debating is the process. He believes there are some areas where we can cut back. Is there another area, given the decrease in tourists and demand, where we can cut back? He said that it is Joe's job to present, and he did a fabulous job. It is a hard decision to make.

Councilman Payne pointed out that there is a need to pay attention to facts. When water bills went up, they went through the roof. He would almost rather see small increases over time than a 30% increase at once. He believes we are having problems with the water and electric systems because we played the "what if" game and didn't increase rates.

Joe Duffy noted that there was a projected growth of 25-40 houses per year when the waste water treatment plant was build. Income from the electric system is being used to pay for the waste water treatment plant because these growth projections didn't happen.

Councilman Dent added that when the waste water treatment was built, ADEQ forced the construction of a one million gallon plant rather than the one-half million gallon plant that was planned. The demand is still only 240,000 – 250,000 million gallons per day. We needed an \$8 million plant but had to build a \$12.5 million plant.

Joe Wiese asked what would happen if we had no electricity – no heat, no lights, no tv. He said he had changed his mind: A little increase might be worth knowing that electricity would be available.

Mayor Moore questioned whether or not \$.67/month was real.

Councilman Dent went back to full disclosure. He said a promise was made to citizens when the electric system was bought to keep rates lower than those of APS. Council has taken the easy path for 20 years. When the power goes out, it will be because Council made the easy decision again.

Councilman Miller said that if we have a major power failure, it would cost us more than a year's worth of increases. What would be the impact of a power outage? We have been very lucky. It may be that

CITY OF WILLIAMS CITY COUNCIL

ANNOTATED MINUTES
AGENDA ITEM

PAGE 4

OCTOBER 28, 2010
COUNCIL ACTION

good stewardship now will lead to better results later.

An unidentified attendee asked if there would be any assurance that \$35,000 in increased rates would be saved and used for the electric system only.

Joe Duffy replied that Council could decide that, but it must be understood that debt service guarantees have been made, based on electric fund revenues.

Councilman Dent added that Council was told to budget \$250,000 a year 20 years ago. We are not keeping up with that schedule. APS took over the system – no repairs had been made while the City operated the system. Councils for years made easy decisions to not increase rates. The reality is that we are elected to keep things operating. We can make an easy decision tonight and put this off for six months or indefinitely.

Councilman Dent suggested finding areas where we can cut at budget time. He then made a motion to review the budget and find items to cut. This motion was seconded by Councilman Wurgler, and it carried 5-0.

- E. Discussion and decision regarding Ordinance 916 regarding the use of fireworks within municipal boundaries: H. Nixon

Police Chief Nixon explained that the State passed a bill to make fireworks legal that will go into effect on December 1st. Most cities are adopting this model ordinance. There is a fire danger and a danger to the public. This ordinance still allows permits to be pulled for supervised group events. This would be passing the same law that's been in effect and the whole county will soon be passing it.

Councilman Dent asked if this prohibited the use of fireworks, not their sale. Chief Nixon replied that we cannot prohibit their sale.

Councilman Miller made a motion that this be the first of three readings of Ordinance 916 by name and title only. It was seconded by Councilman Wurgler, and it carried 5-0. Joe Duffy read Ordinance 916 by name and title. (The second reading will be November 18, 2010, and the third reading on December 9, 2010.)

VI. REPORTS AND INFORMATION ITEMS:

- A. Mayor and Council
- B. Staff Reports

Mayor Moore reported that Williams did not get the \$750,000 enhancement grant from NACOG. They thought the City had done enough street work.

None

VII. ADJOURN:

The meeting adjourned at 7:55 p.m.

Mayor John Moore

ATTEST

CITY OF WILLIAMS CITY COUNCIL

**ANNOTATED MINUTES
AGENDA ITEM**

PAGE 5

**OCTOBER 28, 2010
COUNCIL ACTION**

City Clerk

DRAFT