

**MINUTES**  
**REGULAR WORKSESSION**  
CITY COUNCIL OF THE CITY OF YUMA, ARIZONA  
YUMA CITY HALL  
ONE CITY PLAZA, YUMA, ARIZONA  
**November 18, 2014**  
**6:00 p.m.**

**CALL TO ORDER**

**Mayor Nicholls** called the Regular City Council Worksession to order at 6:03 p.m.

Councilmembers Present: Wright, Knight, Beeson, McClendon, Thomas, Craft and Mayor Nicholls  
Councilmembers Absent: none  
Staffmembers Present: City Administrator, Gregory K. Wilkinson  
Deputy City Administrator, Ricky Rinehart  
Various department heads or their representatives  
City Attorney, Steven W. Moore  
City Clerk, Lynda Bushong

**I. REGULAR CITY COUNCIL MEETING AGENDA OF NOVEMBER 19, 2014**

**Mayor Nicholls** opened the meeting to discussions on any items scheduled for tomorrow's City Council Meeting.

**Motion Consent Agenda: Cooperative Purchase Agreement - Energy Performance Contract with Climatec**

**Wright, Craft and Knight** questioned the particulars of the agreement. Rinehart, Wilkinson, Mayor Nicholls and Jeff Bartel of Climatec responded with the following clarifications.

- Project costs will be paid from the savings realized from budget-approved items. Because of this there is no need for this action to be an ordinance, per the Yuma City Charter.
- Instead of paying APS, the City will pay Climatec because Climatec will be producing energy for the City from their solar array.
- This power purchasing contract, known as the Solar Services Agreement (SSA), is for a term of 25 years; it will cost an estimated \$380,000 per year for the life of the contract.
  - The SSA is only the first of three agreements needed to complete the project; it is the subject of this agenda item. It is a stand-alone agreement and the terms of the other agreements will not affect this agreement.
  - The SSA will not cost the City any money.
  - The overall completed project will save the City \$1.2 million over 15
  - Currently, the City pays APS for its electricity at a rate of 8 to 13 cents per kilowatt hour. The SSA sets the rate for Climatec electricity at 13.86 cents. That amount will be locked in place for the 25 year term of the contract. There are no provisions for Climatec to increase that amount and there are no provisions for the City to decrease that amount, should overall rates fall.
  - If the state or federal government imposes taxes on solar energy in the future, the City would pay, not Climatec.

- At 15 years, the City will have the opportunity to buy out the contract if it likes. The City will pay either the current fair market value of the system assets or a termination payment – whichever is greater. The termination payment is set at \$654,000.
- Should Climatec default and be unable to complete the project, the SSA requires Climatec to remove all of its equipment and return the area to its pre-project condition.
- The City will not be losing any property.
- If Climatec defaults on its lender, the lender would most likely want to continue with the project because they would be able to make it profitable. So, the lender would assume Climatec's position in the deal and the City would continue with the project. The City would still be getting the same benefit as it contracted for with Climatec originally.
- Climatec will be responsible for providing insurance on its system. The City will be providing insurance on the property being used, which is the City parking lot to the south of City Hall. The City will be a secondary insured under the Special Perils Property Insurance requirements, but the City already has that kind of insurance.
- The City will not be responsible for any of the maintenance on the solar panel system. It will be in Climatec's best interests to keep the array in good working order because if the array isn't producing energy, Climatec is losing money.
- A second agreement, the Improvements Agreement, addresses improvements to the City's HVAC facilities and lighting and control systems that are needed to accommodate the solar energy produced by Climatec in some 20 City buildings. It will also deal with the equipment maintenance responsibilities of that infrastructure.
  - The Improvements Agreement will allow the City to make some decisions about the kind of equipment it wants installed, given that the choices do not affect the contract's ability to save as much money as it costs over its lifetime.
  - The Improvement Agreement is still under negotiation. Some modifications to what has been given to the City Council to date have already come up, though the scope of work will not change. For one, the City has decided to go out to bid on the HVAC units needed for City Hall, rather than include their purchase in the Improvements Agreement. The removal of this equipment will change the figures in the second agreement.
- The City will not own any of the solar array, but it will own the equipment improvements made in City buildings.
- This project did not go out to bid because Climatec is a state-contracted provider, making it unnecessary. Also, the City has done business with Climatec in the past and knows the company from experience.
- The City will pay nothing on this project until the complete system is installed and tested.
- A Request for Proposals will determine how the salvaged equipment – the existing equipment being removed from the City buildings - would be handled.
- The final agreement of the three is the Guaranteed Savings Agreement. It will specify the savings the City will be guaranteed on a yearly basis. If that is not realized, Climatec will cut a check to the City for the difference each year.

**Wright** concluded that he would prefer not to burden the City Administrator the authority to negotiate and execute the two subsequent agreements at this point; he would prefer they come before the City Council for review. **Wilkinson** stated that staff is attempting to move this project forward as fast as possible because it will save the City money, but there would be no harm in a delay. **Mayor Nicholls** directed Wright to make a motion to that effect at tomorrow's meeting.

**Resolution Consent Agenda: Resolution R2014-41 - Public Record Declaration of the NFPA 1 Fire Code 2012**

**Wilkinson** explained that R2014-41 declares that the National Fire Protection Association 1 Fire Code 2012 is a public document that is available for review at specified locations; this action allows the City to avoid reprinting the material in full in the future.

**Introduction of Ordinances: Ordinance O2014-32 - Amendment to City Code re: Chapter 193, Water and Sewers**

**Wright** questioned whether the change from a 60-day billing cycle to a 30-day billing cycle had decreased the delinquency and cutoffs rates for low income water customers. **Wicks** and **Wilkinson** clarified.

- The delinquency rate remains at 30-40%.
- The City does not keep any information about the income of its customers.
- The gross number of water turnoffs has increased because they are being done once a month rather than every two months, but the number of people affected hasn't increased, though there was a spike in turnoffs during the initial transition.
- Collection services on delinquent accounts is costly. This ordinance addresses a new process that will allow more time for the customers to pay; therefore, decreasing the number of accounts that go to collection.
- The City has 15 separate billing cycles that apply to various geographic portions of the City. Each cycle, however, follows the same timing.

Proposed Billing Cycle Timing

Day 1:	Initial bill mailed
Day 16:	Initial bill due date
Day 30:	Late fee assessed
Day 31:	Next bill mailed
Day 45:	Disconnection for non-payment

- The proposed timing change gives the customer an additional 15 days after delinquency before their water is cut. It also increases the amount of time a customer has to pay their bill before it is delinquent to a full month, which is more than they were given in the 60-day cycle. This benefits those who are on fixed incomes and get their social security or retirement checks once a month.
- The change from a 60-day cycle to a 30-day cycle was requested by many customers for many years.
- Although the new 30-day cycle has only been in effect for some 5 months, that's enough time for people to adjust, though, there have been a number of additional changes that might be confusing to some.
  - Customers now have the option of paying electronically.
  - The City's billing company has changed so that bills are mailed from closer to home – from Poway, California, not Texas. This reduces the amount of time the bills take to get to customers.
  - The transition period is over. There has been enough time to say that it is clear the process is working and will continue to work.

- A 30-day billing cycle matches every other billing entity. Other utilities, credit cards and retail stores all bill on 30-day cycles.
- Averaging the annual cost throughout the year in monthly payments - consumption averaging - requires a year's worth of data. This is something the City will be working on in the future.
- Opening City Hall on its scheduled Friday off for water customers would not solve delinquency and turnoff problems. The schedule has been in place for 12 years and few water customers have asked for it. Being closed every other Friday actually gives some people more time before their water is turned off because cutoffs aren't done that day.
- The City's delinquencies run at \$2.5 million, but that amount is not a loss of revenue. It is a timing issue. When the water is turned off, customers pay. The City loses money when people leave and haven't paid their bill; then, it becomes a collection issue. If the Water Department were open another day, it would actually cost the City more money because more employees would be needed.

## II. LEGISLATIVE UPDATE

**Chuck Coughlin**, Highground and Associates, presented the following information.

- Senate makeup – little change
  - 17 Republicans
  - 13 Democrats
  - Leadership
    - Senate President – Andy Biggs, continuing from last session
    - Majority Leader – Steve Yarbrough, new to the post
    - Majority Whip – Gail Griffin, new to the post
    - Minority Leader – Katie Hobbs
    - Assistant Minority Leader – Steve Farley
    - Minority Whip/Minority Leader Pro Tem – Dave Bradley
- House of Representatives makeup
  - 36 Republicans
  - 24 Democrats
  - Leadership
    - Speaker – Dave Gowan
    - Majority Leader – Steve Montenegro
    - Majority Whip – David Livingston
    - Minority Leader – Eric Myer
    - Assistant Minority Leader – Bruce Wheeler
- Yuma's State Legislators:
  - Senators: Lynne Pancrazi and Don Shooter
  - Representatives: Lisa Otondo, Darin Mitchell, Steve Montenegro and Charlene Fernandez

### 2015 Issues

- Budget
  - General revenue collections have fallen over the past six months, resulting in an estimated \$190 million shortfall in FY2015, growing to \$667 million in FY2016.
  - Litigation

- K-12: Decisions made in the 2009/2010 budget delayed some payments and left some inflationary funding unpaid.
  - FY2015 shortfall: \$520 million
  - FY2016 shortfall: \$1 billion
  - It appears that state officials will appeal any negative court finding, though probably the state will have to come up with some payments at some point.
- Medicare restoration: Current litigation centers around whether the legislative body has any standing to sue. Once that is decided, the matter will return to the courts to determine the merits of the case.
- 2011 Phase II cuts in corporate income taxes are reducing state revenues.
  - FY2015 loss: \$73 million
  - FY2016 loss: \$56 million

Governor Brewer handed over the Office of Strategic Planning and Budgeting responsibilities to Governor-Elect David Ducey, putting the development of the next budget on his shoulders. He has announced a budget committee and his transition team. His budget will probably not be forthcoming until after his inaugural address and the state of the state speech, both in January 2015.

What issues directly affect Yuma?

- Tax reform
  - Ducey is interested in overhauling the state's tax system, especially in ways to help grow the economy. Highground reminded him that Governor Simonton held cities and counties harmless during his 1990's tax reform.
- HURF – Although the state has moved toward refunding some of the HURF money it has taken from cities and counties in past years, that's not to be expected in the upcoming budget. Highground will continue to remind legislators of the importance of roadway and infrastructure funding to maintain a healthy state economy.
- Transaction Privilege Tax – Legislation was past last session; however, some loose ends need to be wrapped up, especially having to do with implementation and electronic communication connectivity.
- Impact fees – A 3-year moratorium is due to expire. Right now there are no proposals coming forward.
- Public Safety Personnel Retirement System (PSPRS) issues – PSPRS retirement system is creating significant financial burdens on communities throughout the state. Discussions about how to reform the system are ongoing. Highground will ensure that Yuma is kept up-to-date on any proposals that come forward.

Accomplishments and continuing work

- Criminal damage and graffiti was addressed in the last session.
- Abusive public records requests – Highground will continue to work with the Arizona Newspaper Association.
- Community facilities districts (CFD) – A proposal to severely limit the use of CFD's was defeated last session.
- Funding for state parks – Highground assisted in the passage of legislation that allowed individuals to give a portion of their tax returns to state park funding. Yuma's state parks are an important benefit to the area.

Discussion – The following individuals took part in the discussion: **Nicholls, Craft, Thomas, Coughlin** and **Wilkinson**

**Mayor Nicholls** asked about Ducey’s economic development ideas. **Coughlin** stated Ducey seems to want to create an Arizona Commerce Authority, which would be a privatization of certain aspects of the Commerce Authority. He has talked about creating a fair and lower tax burden on the state, as well as reviewing government operations in general – looking for ways to make government more efficient and smarter. Highground shared with him some of its ideas about State Land Trust reform and how it might be made more beneficial to K-12 and higher education. Some reforms may need voter approval. As a candidate, Ducey made no firm commitments concerning revenue sharing, but he is open to working with mayors and city officials.

**Mayor Nicholls** asked for more details about the Public Safety Personnel Retirement Systems (PSPRS) discussions. **Coughlin** explained that the firefighters approached Governor Brewer with proposals they wanted to take to the legislature last fall, but the Governor put them off to allow the soon-to-be-elected office holders to make decisions. PSPRS representatives appear to understand that the system is creating fiscal damage to long-term pension obligations and that the current system isn’t sustainable. **Craft** added that local PSPRS representatives offered heavy concessions in their last presentation. If their proposal goes forward, it would go a long way toward undoing a lot of the decisions made in the last few years. **Coughlin** noted that it will be important for cities to understand that, but the state legislature is more aggressively conservative in fiscal matters. If changes can’t be agreed upon, the matter will probably end up as a ballot measure, yet, city governments can’t afford the time and cost of a contentious election. The City of Yuma should agree to the best deal it can get and move forward, while continuing to work on the issue. **Craft** stated that the police representatives are beginning to come into accord with the firefighters. **Wilkinson** stated that Yuma’s policemen are in agreement with Yuma’s firefighters; the two groups are working cooperatively on a proposal. **Coughlin** agreed that police departments are working through their membership to gain agreement, but not everyone is on board yet.

**Thomas** asked whether Ducey has indicated anything about state forestry issues. **Coughlin** stated that he has not; however, the issue could become a part of the State Land Reform proposal because many of the state forests are on State Trust Land. He offered to facilitate moving in that direction.

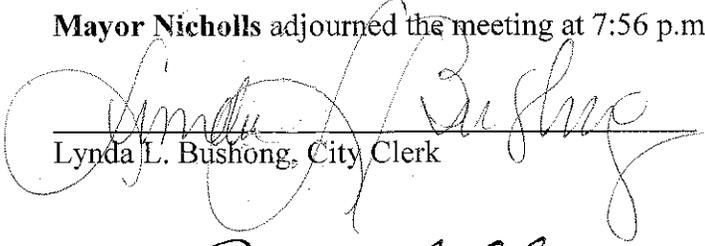
### **III. 2014 EXCELLENCE ON THE WATERFRONT HONOR AWARD**

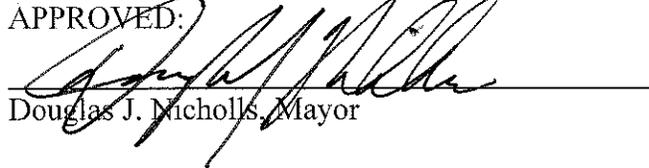
**Flynn** reported to the City Council on the annual 2014 Waterfront Conference in Washington, D.C. Eleven prestigious Excellence on the Waterfront awards were presented and the City’s Yuma Crossing was one of the winners. **Flynn** described a number of other projects that also won the award, many international in location. He briefly recounted the history of the Yuma Crossing project over the last 15 years and thanked Fred Phillips and Howard Deardorf, design professionals, for their help. The most important contribution over the life of the project has been the commitment of the community to the project.

### **IV. ADDITIONAL ITEMS FOR POSSIBLE DISCUSSION - none**

**V. ADJOURNMENT/EXECUTIVE SESSION**

**Mayor Nicholls** adjourned the meeting at 7:56 p.m. No Executive Session was held.

  
Lynda L. Bushong, City Clerk

APPROVED:  
  
Douglas J. Nicholls, Mayor

Approved at the City Council Meeting of:  
May 20, 2015  
City Clerk: 