

MINUTES OF THE WORK SESSION OF THE CITY COUNCIL OF THE CITY OF COTTONWOOD, ARIZONA, HELD JULY 14, 2009, AT 6:00 P.M., AT THE CITY COUNCIL CHAMBERS BUILDING, 826 NORTH MAIN STREET, COTTONWOOD, ARIZONA.

CALL TO ORDER AND ROLL CALL

Mayor Joens called the work session to order at 6:00 p.m. Roll call was taken as follows:

COUNCIL MEMBERS PRESENT

Diane Joens, Mayor
Karen Pfeifer, Vice Mayor
Tim Elinski, Council Member
Duane Kirby, Council Member
Linda Norman, Council Member
Terence Pratt, Council Member

COUNCIL MEMBER ABSENT

Darold Smith, Council Member

STAFF MEMBERS PRESENT

Doug Bartosh, City Manager
Rudy Rodriguez, Finance Director
Debbie Breitreutz, Wastewater Superintendant
Kyla Allen, Executive Assistant to the City Manager

Dan Lueder, Utilities Director
Douglas LaSota, Magistrate
Richard Smith, Deputy Clerk

RESULTS OF THE COMPREHENSIVE WATER AND SEWER RATE STUDY PREVIOUSLY AUTHORIZED BY THE CITY COUNCIL ON AUGUST 12, 2008

Mr. Dan Jackson, Managing Director and Chief Executive of economists.com, stated his firm was the City's rate consultant for the past five years. They did a long term financial planning study in 2004 when the City acquired its water utility. They also did an update to the plan in 2006 and had now done an update for fiscal year 2009 and beyond. Rates were not just an economic decision; they were a social, community, and political decision as well. There are many ways to set a rate structure to meet all capital and operating expenses. It was important to choose a rate structure that was just, reasonable, and most fair to the rate payers. Economists.com prepared rate studies for cities throughout the State of Arizona and had found similar economic pressures forcing cities to raise rates. The average rate increase for water and wastewater utilities has been five to six percent per year. These increases were expected to continue in the future for reasons beyond the control of utilities. Inflation contributed about three to four percent per year. Replacement costs were also going up and are an ongoing expense for a utility. In addition, there are federally mandated environmental standards which must be met and paid for because there are no funds forthcoming from the federal government for this purpose. As a result of these factors, thirty to forty percent of the utilities in the state currently charge rates that don't cover their costs. In such cases a decision has been made to allow the difference to be covered by the General Fund. The rates presented were those that would allow the water and sewer utilities to be self sufficient and even make a contribution to the General Fund.

The bulk of utility users had a standard residential meter. The rate currently was \$17 per month, plus \$2.90 per thousand gallons of water used above 1,000 gallons until 10,000. Above 10,000 gallons the rate increased to \$4.06 per 1,000 gallons until usage of 20,000 gallons, at which point the rate rose to \$5.68 per 1,000 gallons used. The structure was designed to encourage conservation. A typical family of four used about 10,000 gallons. Their costs were at the lowest rate. Use above 10,000 gallons per month was considered discretionary and priced accordingly. The result had been a significant drop in water usage.

With wastewater, the standard residential fee was \$16.75 per month. The rate has remained unchanged for eight years. Currently Cottonwood's rates were about ten percent below the state average. The rate study results were not just for this year but for future long term planning as well. They took into account how growth would affect the community. The City currently had 9,153 water accounts and 4,500 sewer accounts. The plan took into account that growth would be limited for the next couple of years with only 25-50 new accounts per year. Gradually that would increase back to the norm of 200-250 new accounts per year after four or five years. The tiered rate structure in use had resulted in a reduction of water usage. This was important because the less water that must be produced meant lower operating costs. Costs of production for water the current year were projected to be \$6.8 million and wastewater \$1.5 million. This was the amount the utility must recover from revenue to remain self sufficient. The rate plans took into account increasing costs over the years and included growth projections.

Mayor Joens asked what kind of data these projections were based on.

Mr. Jackson stated it was based on records of past growth. Currently, statewide, growth was down 75-80 percent. Locally, the drop in building permits was considered. Future projections were based on national economic forecasts.

Council Member Kirby stated there were no figures given for current income needed to cover costs.

Mr. Jackson stated that would be coming. Inflation costs were projected to be 3-5 percent a year and would affect personnel and operating expenses. Other costs would have higher increases: energy, insurance, workers' compensation, etc. As growth occurred, so expenses would increase. The most significant factor would be the capital improvement plan (CIP) needed for maintenance, repair, replacement, and expansion of the system. The CIP was expected to cost the City \$25 million over the next ten years; \$15 million for water and \$10 million for sewer.

Council Member Elinski asked how impact fees would play a role in that.

Mr. Jackson stated they deferred some of the cost, but they could only be applied to the growth related element of a CIP. Impact fees could not, for example, be used to replace existing infrastructure. Impact fees did not always eliminate the need for rate adjustments. Capacity had to be built up-front while impact fees were collected afterwards and over time

to reimburse growth costs. Loans were often required for the up-front costs of system expansion. Facilities, well improvements, new wells, pumps, valves, etc., and their related costs were detailed for both water and sewer, totaling \$25,741,000 over nine years. Revenue which was currently around \$7 million would have to gradually increase over this period to about \$11 million to cover these costs.

The rate plan was designed to minimize the impact on ratepayers. The recommendation was to increase monthly rates effective August 2009 as follows: water development charges by 40 cents, the minimum charge by \$1.36, and tier use levels by 23 cents, 32 cents, and 45 cents per 1,000 gallons respectively. Sewer rates should be increased \$3.58 per month. Similar increases would apply for the next four years so that by January 2013 water development charges would be \$6.59 (currently \$4.98), the minimum charge \$22.50 (currently \$17.00), and tier use levels \$3.84, \$5.37, and \$7.52 per 1,000 gallons respectively (currently \$2.90, \$4.06, and \$5.68). Sewer rates should be increased \$3.58 per month and by January 2013 be \$26.27 (currently \$16.75). The impact on a ratepayer using 5,000 gallons of water would be an increase of about \$6 per month immediately, with additional increases of about \$5 a month for the two years, then increases of about \$1.70 for the next two years. Those using up to 10,000 could expect their increase to be about 19 percent higher than people using only 5,000 gallons.

The previous plan done in 2005 had proposed increasing as early as 2007 but also had a projection for rates needed by January 2012 nearly identical to those in this plan. The difference was that the increases needed in the next few years would be larger than those which would have been needed had increases been implemented earlier. Right now revenue for water and sewer were not meeting expenses and the utility was operating in the red. The plan projected that rates would continue to be at or below the state average over the next five years, even with these projected increases.

Council Member Kirby stated he still had not seen anything telling what the current income was.

Mr. Jackson referred him to the Appendix, page 1.

Council Member Norman asked if it would take the whole ten years to get out of debt.

Mr. Jackson stated the CIP would be implemented over ten years. Over that time it would be necessary for the City to issue a series of bonds and gradually increase the cost of service.

Vice Mayor Pfeifer stated for years the Council had asked if sewer rates shouldn't be increased every year to keep up with expenses. We were told it wasn't necessary because we had plenty of money and didn't need to increase the rates. It was good that we were increasing rates now so the jump in rates would not be any bigger.

Council Member Kirby stated what he was being shown was a forecast summary. It didn't tell at all what our income was currently as opposed to our cost of operation. He had not

been given factual information, only forecast information.

Mr. Jackson stated the forecast implied that rate adjustments were needed, in the next year and each year after that. Expenses were independent of revenues. The forecast was based on prior year's actual operating expenses as well as the current year's budgeted expenses for the current year. Expenses were predictable since they basically remained the same with adjustments for inflation. Currently they exceeded revenue.

Council Member Kirby asked what our revenues were.

Mr. Jackson stated page 2 of the Appendix showed what the water rate revenue forecast was.

Council Member Kirby questioned if that included the rate increase.

Mr. Jackson stated no. That was before the rate increase. The rate increase was not projected to take effect until 2010, which we were in now. There was also a rate study report that went into minute detail and was completed for the Council and listed expenses in great detail.

Council Member Pratt asked if the numbers for 2009 were actual revenues and not forecasts.

Mr. Jackson stated, yes.

Vice Mayor Pfeifer asked when it went into the red. She had thought we were doing fine with these accounts. It was a shock that we were in the red.

Mr. Rodriguez stated there were other issues. We were talking normal operating expenses verses normal revenues coming in. We were required to have debt service amounts on our books. Those could not be used for operating. We were also required to have 1.35 percent of our total debt service as coverage. It was set aside in case we ever defaulted. It too could not be used for anything else. Were we in the red? Comparing operating expenses to operating revenues we were running really tight and were probably going to run into problems. We did have money in the bank, but it could not be used for operations.

Mayor Joens stated Mr. Rodriguez had shown over the past couple of years that the real cost of sewer was about \$22 per month not the \$16.75 per month being charged. Previously there was a penny sales tax for the sewer to help pay customer rates. This enabled us not to raise rates.

Mr. Rodriguez stated that was correct. Up until July 1, 2007, we had a one percent sales tax for wastewater that propped up sewer rates. Since then it had been losing ground. He had come before the Council the last two years about raising rates but had always held on to the existing rate.

Mr. Jackson stated costs and debt service costs would increase in the future. The problem which was nominal today was only going to get worse in the future.

Mayor Joens stated if rates had to be raised it was better to do so a little at a time rather than with a large increase all at once. When we first purchased the water company we thought we would have to raise rates within a year, but had found ways not to do so. It was difficult for her to think about raising rate in these difficult economic times.

Mr. Lueder stated even when these increases all went into effect our rates would be lower than those of Clarkdale and Verde Santa Fe.

Mayor Joens stated direction was to move ahead and bring it back to the Council.

Mr. Lueder stated the process would be for him to come before the Council in August with a request to alter rates. The rates would be put on display at City Hall and the Post Office. Within 30 days a public hearing would be held. If approved after that, any rate adjustments would not take place for 30 days, which would be in October or November. Then, each year the rates would be analyzed and similar procedures would be followed each year.

RESULTS OF THE RIVERFRONT PARK RECLAMATION FACILITY FEASIBILITY STUDY
PREVIOUSLY AUTHORIZED BY THE CITY COUNCIL ON OCTOBER 14, 2008

Mr. Ken Knickerbocker, of Coe and Van Loo, stated the concept of the Riverfront Park Water Reclamation Facility was originally presented to the Council nine months ago. At that time the Council's direction was to proceed with the creation of a more detailed study which could be presented for further consideration by the Council. Aspects for consideration were the facility's location, treatment method options, and associated costs.

Currently the wastewater treatment system consisted of various drainage areas served by lift stations which handled about one million gallons a day. Riverfront Park was located in the area served by Lift Station 3, which pumped to Lift Station 4. This portion of the system currently was operating at near capacity. Relief could be achieved by a parallel line or by the new reclamation facility. Riverfront Park was identified as a potential site for a water reclamation facility because of the existing opportunities for the beneficial use of recycled water. Watering now came partly from the Verde Ditch whose water came from the Verde River. The reclamation facility would be a means of water conservation by eliminating the need for ditch water. Recycled water could be used for the old stand of cottonwood trees which do not now receive irrigation and to the Cottonwood Cemetery.

Mr. Lueder stated the cottonwood trees were formerly watered directly by the river, but since the last flood the river realigned itself further away from the stands of trees which were considered of historic value.

Mr. Knickerbocker stated water was a valuable and limited resource. A preferred site was identified next to the soccer field which would be capable of serving approximately 75 acres

of greenbelt area and old stand cottonwoods with recycled water. Of this area 43 acres was in Dead Horse Ranch State Park and 32 acres in Riverfront Park. The entire cemetery could receive recycled water.

The ultimate use of the water would determine the type of plant that would be built. If the recycled water was only to be used for irrigation of open access areas such as Riverfront Park, the facility would produce class A+ effluent and be subject to regulation by the Arizona Department of Environmental Quality (ADEQ) and would be suitable for areas of public access. If it was desired to be able to discharge into the Verde River, additional steps would have to be taken, because more stringent regulations of the Environmental Protection Agency (EPA) and ADEQ would apply. Standard methods were usually inadequate to meet these standards. Additionally, staff requested details on what would be required to remove pharmaceuticals. There are currently no regulations for the removal of pharmaceuticals from wastewater.

Four typical pollutants controlled by ADEQ were BOD (relating to organic matter), TSS (relating to solids), phosphorus, and nitrogen. Primary treatment for wastewater was settling. This removed about twenty percent of these four pollutants, but did not affect levels of pharmaceuticals. The activated sludge method of treatment, which had been proposed for the Riverfront Park facility, removed 95 percent of BOD, TSS, and phosphorus, 85 percent of nitrogen and 50 percent of pharmaceuticals. This produced what was termed Class A+ effluent. To more completely remove pharmaceuticals, two additional steps would be required: advanced oxidation and biological filtration. These processes removed all pollutants except a small proportion of pharmaceuticals.

Mayor Joens asked if it would be drinkable.

Mr. Knickerbocker stated he would drink it. In his opinion, the quality of the water would be equal to or better than bottled water.

Mr. Lueder stated the wastewater treated by these tertiary methods produced water that was cleaner than what was flowing in the Verde River.

Mayor Joens asked if water were to be transferred to Dead Horse Ranch what ADEQ regulations would be encountered piping it over the river.

Mr. Knickerbocker stated the rules that applied in the City would apply on the other side of the river.

Mayor Joens asked if there would be problems putting a pipe across the river.

Mr. Lueder stated hangers for a pipe were already installed on the bridge. Any pipe would have to be encased in a conduit to prevent spills into the river.

Mr. Knickerbocker stated while pharmaceuticals were not currently regulated, the EPA was looking into doing so.

Mr. Lueder stated there were ongoing Senate hearings and legislation was merely a matter of a few years away.

Mr. Knickerbocker stated measurements of pharmaceuticals were made in parts per trillion (ppt). Other pollutants in wastewater were measured in parts per million (ppm), which was the equivalent of one second in eleven and a half days. Even arsenic was only measured in parts per billion (ppb). The majority of pharmaceuticals end up in wastewater as a result of passing through the human gut and from personal care products. Nicotine and caffeine were common as were synthetic hormones.

Mayor Joens stated it would probably be just a few years before every wastewater plant removed them.

Mr. Lueder stated they currently tested for several hundred unregulated substances. This was to obtain a baseline for further studies.

Mr. Knickerbocker stated a lot of the pharmaceuticals currently found in drinking water came from wastewater. That was the source that needed to be treated. Conventional methods of treating wastewater only eliminated about half the pharmaceuticals which were long-chain compounds, not easily broken up.

Council Member Elinski asked if it was decided to treat pharmaceuticals to a level that eliminated them in this plant, would it be possible to achieve the same result at the existing treatment plant.

Mr. Lueder stated it would be possible but it would be costly to retrofit such a plant.

Mayor Joens stated another thing that could be done was to eliminate the use of certain ingredients in hand soaps. That was something that could be controlled though medications could not. We could conduct an educational campaign through our water bills.

Council Member Kirby stated education would be an important element. He thought that education had played a greater part in water conservation than the rate structure had.

Mr. Lueder stated education could influence people who flushed unused medications and used particularly polluting personal care products and thereby reduce concentrations. Medications that were actually used and then excreted could only be removed by the methods previously described. Tests could be designed to identify pharmaceuticals in the wastewater.

Mr. Knickerbocker stated an added advantage of treating for pharmaceuticals was that nitrogen levels would be reduced to a level that discharge into the Verde River would be possible, if desired.

Mr. Joens stated public education would be the challenge.

Mr. Knickerbocker stated he had been instructed at the last meeting to take a hard look at the use of renewable energy to assist powering this facility. Wind power turned out not to be a feasible option. Solar power was an excellent candidate. Many wastewater treatment plants were currently solar powered, many located in the Northwest and Northeast, where there was only one tenth of the available sunlight here. To digress, the advanced treatment methods under consideration would use microbiology to its fullest extent. Chemicals would not be used to remove phosphorus and nitrogen. There would be use of fine bubble aeration, high efficiency blowers, and magnetic drives.

Mayor Joens asked if this meant the operation of the plant would not be noisy for the neighbors.

Mr. Knickerbocker stated everything would be enclosed and sound reduced to 50 decibels at five feet.

Mr. Lueder stated this new technology required significantly less power to operate.

Mayor Joens stated that meant we would save a lot of money over the long term but had to spend more up front and take ten or twenty years to recoup.

Mr. Knickerbocker stated pumping costs would also be reduced since 300,000 gallons per day (200 gallons per minute) would be treated on site and not be pumped from Lift Station 3, as it was now, to the main treatment plant. Solar energy viability studies showed use of 940 kilowatt hours per year or approximately 0.5 megawatts. Funding could be done many ways. Arizona Public Service offered negotiable performance based incentives of approximately 40-50 percent. There were also federal and state incentives available. Payback was estimated to be 10-20 percent depending on the plan selected. Also, all or part of the facility could be equipped for solar power. If it were decided to power the entire facility, all of the structures would have to be covered with solar panels as well as an additional half to two thirds of an acre. There would also be the advantage of net meter reading. This meant that you would receive a credit for 100 percent of the excess power generated.

Mr. Lueder stated excess capacity could also be used to power the ball field lighting systems.

Council Member Kirby asked how much land would be needed for the whole operation.

Mr. Knickerbocker stated about one acre.

Council Member Elinski asked if it would be possible to mount panels so as to create covered parking.

Mr. Knickerbocker stated Arizona State University had done that. Roof mounted systems would be more expensive than one mounted on the ground because of the structure and the re-enforcement necessary to carry the weight of the panels. Overall plans were to use the latest technologies where appropriate or improve existing technologies. It would be microbiologically efficient. To remove pharmaceuticals, advanced oxidation would be utilized. This would use hydrogen peroxide manufactured and stored on site. There would also be biological treatment. Odor control would be advanced and state-of-the-art. The existing treatment plant used a wet scrubber which used chemicals to neutralize odor. The residue is discharged into the environment. Inside the unit was a corrosive environment. New technology used ions for neutralization and created water and sulphur without corrosion. This method was cheaper to purchase and operate.

Mayor Joens stated that would be very important for residents in the area. She asked if a fieldtrip could be arranged to view an existing plant.

Mr. Knickerbocker stated the nearest one was in Phoenix and another in Mesa. This type of plant would enhance the community. It would produce recycled water to increase the usability of Riverfront Park and reduce demand on other water resources.

Council Member Kirby stated the concerns that people had expressed to him about the facility was floods. He stated talking to people who had experience with flooding in the area would be beneficial.

Mr. Lueder stated meetings had been arranged and further ones were planned.

Council Member Kirby stated those with concerns could be very damaging to development effort if they were not convinced.

Mr. Lueder stated that was true. One of things discussed was building the plant closer to Dr. Jochim's property which would provide him with additional security. There was also the possibility of providing reclaimed irrigation water to his fields in exchange for surface water rights. The flood plain issue had been addressed by moving the plant location.

Council Member Kirby stated those people had to be convinced that water would not interfere with the operation of this plant or make it a danger to the community.

Mr. Lueder stated the ideal site was the cemetery but there was not enough land available. The proposed site was in the floodplain but would be built up above the 100 year flood level. It would not only convince the neighbors, but meet ADEQ requirements as well.

Mayor Joens stated perhaps Dr. Jochim and his neighbors could also go on a fieldtrip to an existing plant to see for themselves its impacts.

Mr. Lueder stated another option would be to invite vendors here to give presentations.

Mayor Joens stated it was such a beautiful area, the plant had to be top-notch, even if it cost a little more for it.

Mr. Knickerbocker stated the facility could be community friendly by making it a learning facility. Instead of hiding it away it could be designed and constructed in a way that it could be open to the public of all ages. It could be hands-on and address biology and chemistry and people would be able to see the results around them in the park after treatment had occurred.

Mr. Knickerbocker stated most wastewater facilities were utilitarian and not designed to have people walking through them. This facility was small enough it could be designed with that in mind.

Mayor Joens asked how many years this would take us down the road before we had to think about more plants.

Mr. Lueder stated this would free up 300,000 gallons of capacity, allowing a population growth of one third before capacity needed to be increased. While intended for development, this facility would improve the park as well as the overall operation of the system.

Council Member Elinski asked if, down the road, decommissioning a plant was planned.

Mr. Lueder stated that would not be possible unless a centralized plant was constructed.

Mr. Knickerbocker stated the plant would be environmentally friendly and very cost efficient with a reduced carbon footprint and provide irrigation water that met all state and federal standards. The proposed site had the least impact. There was easy access along existing roads. It was close to Lift Station 3 which would minimize pumping as well as being in close proximity to the area where the effluent would be discharged for irrigation purposes. Currently the site was unused. It was at the edge of a 100 year floodplain. Government requirements were for a facility to be one foot above the 100 year floodplain level. It was proposed to place this facility two feet above that level.

Council Member Kirby asked if flood embankments constituted part of this design.

Mr. Knickerbocker stated, no.

Mr. Lueder stated it was an option.

Council Member Kirby stated he could not see how it could be avoided. People were going to know it was in a floodplain. Something had to be done other than raising the plant. A wall had to be raised around it.

Mr. Lueder stated armoring could be done.

Council Member Kirby stated something else had to be done besides raising its level above the floodplain. Making people understand we were doing everything we could to protect them was more important than the few dollars we might have to spend to do so.

Mayor Joens stated it seemed it would cost more if there was a breach in the river. She asked if cement walls would keep floodwaters out.

Mr. Knickerbocker stated they would. Since the site was so compact they would be a better option as levees or berms required far more space.

Council Member Mayor Joens asked that figures for the height necessary for protection against a 500 year flood be provided at the next presentation so feasibility of that option could be determined.

Mr. Knickerbocker stated probable costs for a facility that would produce class A+ reclaimed water was \$4.2 million. The cost for a facility that would also treat for pharmaceuticals would be \$5.4 million. Adding the solar power option would increase costs by \$3-\$4.5 million. Flood protection would add even more. These figures did not include any rebates or incentives.

Council Members Elinski and Kirby stated support for the solar option.

Mr. Lueder stated he understood the Council wished him to look deeper into the solar option and be able to show concrete prices. He was not in favor of having a third party come and install the plant, but he would look into those costs if the Council wished.

Council Member Pratt stated this was the right direction and needed to be pursued.

Council Member Kirby stated he wanted to see information on how costs would be recovered.

Mayor Joens stated there was Council consensus to continue in this direction.

Mr. Lueder asked if the Council wished the pharmaceutical issue to be refined.

Mayor Joens stated consensus was to pursue that as well.

POSSIBLE AMENDMENTS TO THE BASIN WATER ARSENIC WATER SERVICES AND EQUIPMENT LEASE AGREEMENTS

Mr. Lueder stated during the budget process the Council had been asked to consider allowing the utility department to take over some of the operation of the arsenic treatment system. Amendments to the existing agreement had been prepared. Several wells had

been determined not to be worth treating and would be removed from the agreement. The agreement allowed systems to be moved around and to only lease those systems that were needed. The City would also take over the operation and routine maintenance of the arsenic treatment system. We would hire an arsenic specialist. Basin Water would provide 80 hours of staff training and four hours of phone support per month, 8 hours of on site training, and four hours of additional training a year. Every quarter, they would come and go through calibrations and reports with our operators. The City would provide a certified operator, which it already had on staff, and purchase and store the consumables which consisted of salt for the ion exchange systems and filters. We would do daily operational checks of the system, which were already being done. We would do regeneration of wells. Regeneration of the ion exchange unit would require a mobile unit. Basin Water proposed a lease for such a unit for \$120,000-\$180,000. A unit could be purchased for \$90,000. It consisted of a trailer which was essentially a large water softener. Staff felt a purchase would be the best option as well as the purchase of a one ton truck to pull it. Brine would be disposed of through our wastewater system. After making these amendments, there would be, conservatively, a saving of about \$136,000 per year. When the bid was put together three years ago we did not have the staff or ability to conduct this type of operation.

Council Member Kirby asked if the savings were annual and would commence the first year.

Mr. Lueder stated, yes.

Council Member Pratt asked if we would still be compliant with arsenic standards.

Mr. Lueder stated, yes. The agreement was still in effect. They supplied the equipment to get us down to 6 parts per million. If the Council wished to move forward, the agreements would be forwarded to our attorneys for review. Then staff would return during a regular meeting of the Council for its consideration of the amendments.

Mr. Lueder stated Basin Water's motivation was that they had seriously underbid their costs. Their people had to come from Phoenix and they had to haul the brine away. Their profits were minimal and they were very accommodating to our suggestions for amendments. If the Council approved the amendments, they would not take place immediately but about three weeks afterwards to enable us to be properly prepared.

Mayor Joens stated consensus was to go forward with this matter.

UPDATE REGARDING CONSTRUCTION ISSUES WITH THE COURT BUILDING AND DIRECTION REGARDING THE CONSTRUCTION OF A NEW CITY HALL

Mr. Bartosh stated about a month ago he met with Judge LaSota at the court building where there were problems. In the back of the building there was an office where the judge wanted to put his court administrator. The floor there bounced up and down. In the bathroom there was a water heater that looked pretty decrepit. The back hall leaked into the file room whenever it rained. Mr. Lueder and Mr. Morgan Scott got involved and we

looked at the whole back area and realized there might be a mold problem. There was leaking on the back side and because of the way the drainage was set up on the south side, it appeared there was also leakage there. Environmental testing people were brought in to find out if we did have mold and how serious it was. There was quite a bit of mold back there. The decision was made to get the employees out. There was concern about the Council Chamber side of the building as well since the carpet could be saturated with mold and this area was sanitized. Air samples were taken on both sides to make sure it was safe. We needed to look at what a long term solution would be. The conclusion we came to was it made no sense to put more money into this building. We needed to tear out the back section and completely repair it. It was not a good idea to put more money into a building that needed to be renovated from top to bottom, or even torn down because it was not in good shape.

The other option was to lease some space. Trying to move as rapidly as we could because the current arrangement was not an ideal set-up, we looked for space to lease. We found an ideal location for the court which was the Carpet One building at the corner of Mingus and Sixth Street. It has been on the market for quite a while and they did have an interest in leasing. He and Mr. Rodriguez met and looked at lease payment and improvement costs and determined it might be in the City's best interest to purchase the building and make it a permanent location for the court. It was in a central location and across the street from the Justice Court. It would make it easier for people using the courts and for the County to transport prisoners.

The other issue that connected to this was the need for a new city hall. We are in inefficient space. All these building were old. We have patched them here and there to keep them functioning, but we really needed to do some major work to get them up to speed. It was inefficient. He and Mr. Rodriguez discussed whether it was possible to find the financing to build a new city hall and they determined that it was possible. One of the things talked about was whether the court being at city hall an ideal set-up. The thought was that, looking at the clientele the court brought into the area, maybe it was not a good idea to have the court in with city hall. It would add to security costs and maybe detract from what we were trying to achieve with a new city hall by creating a town center or town square where we wanted people to meet and generate more economy for the downtown area. The thought was the Council should consider was moving ahead to purchase the Carpet One building and making that a permanent court building. We could build a second court room and add that on as growth and need manifested. Then we could begin to consider building a separate city hall in the Old Town area. There was a lot of discussion that still needed to occur on that. The idea was that there was funding available to do this and to begin design work on a new city hall this budget year. He asked Mr. Rodriguez to talk about where the funding would come from. There was a caveat to all this. The caveat was rather than using available funding we had to fund the new Riverfront Park reclamation facility with cash on hand, we would finance it. This was not a bad idea in that it would be paid by user fees both now and in the future. There were very good WIFA interest rates and it was an ideal time to finance projects like this. It was also an ideal time to get some direction from the Council on city hall as well.

Council Member Kirby asked what the asking price was on the Carpet One building.

Mr. Bartosh stated \$679,000 and they had come down from \$950,000.

Mr. Lueder stated it was \$113 per square foot.

Mayor Joens stated we didn't pay that much for the Utility building.

Council Member Kirby asked what the parking situation was there.

Judge LaSota stated there were 22 spaces, two dedicated for the handicapped. Any overflow could be handled by the County complex right across the street.

Council Member Kirby asked what it cost to purchase the Utility building.

Mr. Lueder stated \$650,000 but it required a lot more renovation. Here there were offices off the showroom area which was wide open. There were no walls to tear down. We only had to decide the configuration we wanted which would make the overall cost substantially less than the other building.

Judge LaSota stated there was space for a second court. Since that wasn't needed now the space could be leased until needed. The building was only ten or eleven years old. It was a perfect location since people were often confused which court they needed to go to. This way the two would be across the street from each other. Finding a judge for protection orders would be easier with the two courts in close proximity. It was also close to the police station which meant it would take less time for officers to go to court.

Council Member Elinski stated he was concerned that we had a building maintenance department that didn't recognize a spongy floor.

Mr. Bartosh stated it was a long story. He hated to regress back to the reorganization, but one of the biggest reasons we needed reorganizing was there had been a tendency to do things halfway. That needed to stop. It was not just the floor. There were other things back there that were done inappropriately. They were just bad. We had to stop doing things halfway.

Council Member Elinski asked if we had the cost on what it would take to make the repairs.

Mr. Lueder stated one of the concepts was to bring a structural expert in to look at it. When we came in and did our inspection, we found electrical issues. There were issues up in the attic. He did not think it was worth investing more money into that building. It was pieced together and there was not a lot of forethought in design.

Mr. Bartosh stated even if we put all that money into it, it would still be an inadequate space.

Council Member Elinski stated it made sense to have the court closer to the county complex, but he thought we should find out how much it would cost to make repairs on the building because we could still use the space.

Council Member Norman stated she agreed the court should be separate from city hall. It was uncomfortable for the public and employees to have prisoners in handcuffs in office and public space areas.

Judge LaSota stated four years ago there was a report that showed there was mold there and nothing was done about it. What he was told was that when a certain budget was reached workers were told simply to put plywood over it. You cannot now put files on the floor because there was plywood over beams and anywhere you step it sinks in.

Mr. Lueder stated he was remiss not bringing this to the Council's attention. The situation had been discovered but he had only got an oral report on Wednesday and a written report on Thursday. At that point he, the Judge, and City Manager sat down and shut down the court that day. On Saturday, Service Master came and sanitized the Council side of the building. We would keep people out of the other side.

Vice Mayor Pfeifer stated since the court was under the Council, when things like this came up, the Council ought to be involved also. At least the Mayor should have been called in on it, since it was under the Council. The Mayor should have been advised. That was the way it had been done in the past. If something like this were to happen in the future she should be kept appraised.

Council Member Kirby stated the new building would have room for another court. What would it be used for until there was another court.

Mr. Lueder stated part of it was set up as storage in the back room.

Council Member Kirby stated no one would deny we had to do something and do it quickly. He wanted to look at the possibilities for a building this size and for the kind of money we were talking about spending.

Judge LaSota stated there would be no problem sharing space. The back warehouse was large and has a rollup door. One thought was the County could bring in prisoners that way without having to have more safety risks by bringing them in the front. There was room for a second courtroom. Now it could be used for storage or shared community activities.

Council Member Pratt asked how they were to be got out of the situation they were in as soon as possible. That seemed like what needed to be focused on.

Mr. Bartosh stated that was the direction we were looking for. It could not be done immediately. It would probably take at least 90 days to get the purchase done, to get the plans drawn up, and to actually get it constructed.

Vice Mayor Pfeifer asked if the computers could be moved across the street.

Judge LaSota stated moving the computers was a problem because they were leased from the courts. It would be expensive to move across the street.

Mayor Joens stated she commended everybody for their quick action. It was necessary. What bothered her was she was the Mayor of the City of Cottonwood and nobody talked to her. She did not know what was happening today. Nobody called her. She was in City Hall yesterday all afternoon and at her home office all day today. The courts were underneath the Council. It would have been kind if somebody had rung her up to say what was happening.

Mr. Bartosh stated he would take responsibility for that.

Mayor Joens stated she appreciated that. What happened was that no one elected was in on any kind of decision making. She did not think that served the citizens of Cottonwood the way she would like to see them be served.

Mr. Bartosh stated the priority here was the employees and getting them into a safe environment as quickly as possible.

Mayor Joens stated there was nobody who has supported the court more than she had. Since she was a Council Member she had been trying to do something about the situation. It was not about that. She agreed with the actions taken. She just disagreed that no one bothered to call the Mayor and update her. She disagreed with that.

Mr. Bartosh stated that would certainly be taken care in the future.

Mayor Joens stated she appreciated that.

Judge LaSota stated he didn't know the protocol for dealing with the Council. He assumed the City Manager and staff took care of such things.

Mayor Joens stated she appreciated a little bit of communication, because that gave her an opportunity to have a little bit of input as to what she thought the Council would want her to know. She could make suggestions to the City Manager. You may feel comfortable making the decision but if there is no one at all, ever, elected, who is let in on any of this stuff, it's just not right.

Council Member Kirby stated, he agreed.

Mayor Joens stated Ms. Jiménez had called her late today, about 5:30, and wanted the Mayor to know what we were going to see tonight. She wasn't sure we would be able to use the bathroom. She was kind of giving me a heads up on that.

Judge LaSota stated we didn't change locks on that door. We would get some extra keys. The jury room was locked as the courts required them keep it secure. Only court personnel could go in there. The other concern was the phone line in that room that was no longer accessible. There was a phone jack under the dais for use by the Council.

Vice Mayor Pfeifer stated what had been done in the past with situations like this was to have an emergency meeting.

Mayor Joens stated in the dismay of what you found you sort of lost the communication process. Regarding Council meetings, we had extra Council meetings planned. How were they going to deal with that? We could go up to the Public Safety Building but it didn't have recording equipment. We would soon be on TV. How were going to deal with it and with executive sessions? There were some issues with the City Council we were going to have to deal with.

Mr. Rodriguez asked if we were going to continue having Council meetings here.

Mayor Joens stated yes, except we can't have executive sessions.

Mr. Bartosh stated the thought was that executive sessions would be held here. We would ask people to step outside because there usually aren't a lot of people left by the end of a meeting.

Council Member Kirby asked if we could get a temporary three month lease on the building if we decided on a price. We could go ahead and make some improvements that were necessary and negotiate a contract for sale during that period.

Judge LaSota stated there was a minimum 60 days lag period from when he'd be able to move in there because of the restrictions when moving court equipment. The court had to have access to their Aztec system.

Council Member Kirby stated there was no sense being in a really big rush. We had 60 days to switch over.

Mayor Joens stated the issue was the budget. We had this huge expensive issue that had come up and was unanticipated and we have just passed the tentative budget.

Mr. Rodriguez stated one thing to stress was reorganization was meant to streamline and allow us to move quicker. This was a perfect example of how quickly we were able to move on a situation like this. Again, apologies if we didn't contact the Mayor or any of the Council Members. We were too busy trying to put everything together so we could go ahead and meet with Council on it. It just meant the reorganization was already beginning to work. We were moving a lot faster. Traditionally, we took weeks, if not months, to get some sort of game plan. The other part about the budget was that we maintained a \$500,000 contingency and we planned our reserves in case we had an emergency. So even though

this was not an item on the budget at the time, we could go ahead and add it in on the final budget. It could even be added in after the adoption of the final budget so long as we did not break the bottom line established on the tentative budget. This large sum of money would take several weeks to organize for use.

Vice Mayor Pfeifer asked what it was thought the Carpet One building could be acquired for.

Mr. Lueder stated the first phase would be to move the court to the building, get it set up, and secured which could be done for about \$75,000. From that point we could take out time. We needed an architect just to give us a floor plan. We knew who designed the building. He would be the logical one who had the plans. We could have him talk to Judge LaSota and give us a ballpark figure of what it would cost.

Mr. Bartosh stated the first thing we would do if the Council gave approval on this was to get an appraisal and try and get the architect lined up.

Mayor Joens stated she thought the direction she heard from the Council was yes. One of the things we needed to discuss was the City Manager's idea of a city hall.

Mr. Bartosh stated there was an opportunity and funding available for the design process provided we financed the reclamation plant. It would create some efficiencies and make one area for customer related services. There was a way to do it on the back of that property to create a town square that connected the events we held, like Farmers Market, with Main Street. It would help to regenerate the Old town area. The problems we have run into with the court building were similar to the problems we were going to run into with a lot of these buildings. The question was should we keep mending inefficient space or look at the opportunity to create one location where employees could work more efficiently and provide public service more efficiently and create a nicer environment for Old Town.

Mayor Joens stated this was on the Capital Improvement Program in 2012.

Mr. Rodriguez stated we had planned to transfer \$8 million to wastewater to cover the Riverfront project and other improvements. Rather than do that we could use the money over the next few years for building a new city hall facility.

Mayor Joens stated we had always been very frugal and saved and saved and saved. She asked if we would have any reserves, or savings, if we did this type of spending?

Mr. Rodriguez stated we always tried to make sure water and wastewater facilities were fully self-sufficient. By pulling the \$8 million we were supplementing a major capital project. Now we think the way it was set up there was already money being planned to be borrowed this coming year to begin such things as the Riverfront facility.

Mr. Lueder stated \$5.6 million was built into the rate structure. Our wastewater funding priority list was eligible for funding at reduced rates. We might even be eligible for a further

rate reduction down to about 3.5 percent. We needed a new city hall and the ability to operate efficiently more than we needed to pay cash for the Riverfront Park facility.

Mayor Joens stated we couldn't forget our employees. We were spending a whole lot of money and they were not getting anything. All of these buildings didn't mean anything without the people inside them that did the work and made the services happen.

Mr. Rodriguez stated that was an important concern. The differentiation unfortunately was that when we did capital projects it was a one time expense. When you dealt with personnel it was an ongoing expense that went on forever. Our intent with building a new facility was there would be cost savings from efficiencies it created. As soon as the economy started to turn around we would start taking care of our employees. These were capital reserves we were talking about and we were trying to take advantage of the current market.

Mayor Joens stated we were building a new Utilities Building. How many people there would come back to the new city hall? Why spend money unnecessarily if we were going to be in a new city hall sooner than expected?

Mr. Lueder stated since the Utility Building plans were just in the conceptual stage, costs could be reduced if a new city hall was going to get built. One way or the other staff had to get in there, at least temporarily.

Mr. Bartosh stated we were looking at two or three years.

Council Member Kirby stated there were a lot of people out there who were not going to understand and we were going to have to sell the city on this.

Mr. Rodriguez stated by continuing our capital projects we were trying to keep people employed and pump money back into the economy.

Council Member Pratt stated a lot of it was education. We were getting these building for much less than we would three years down the line. Clearly we needed a city hall and we were creating work for people. With public relations, first people got fired up and, if we were smart, we could reach out to the public and tell them what was going on and expect them to listen.

Council Member Elinski stated the immediate impression was why the city would be spending all this money on buildings rather than employees.

Mr. Rodriguez stated it would allow us to get to it as soon as possible rather than waiting 18 months when the economy had started to heat up.

Council Member Elinski stated he understood that, but we still hadn't found the money to do an employee compensation study.

Mayor Joens stated we had to give employees a good building to work in.

Mr. Lueder stated if the reserves meant for waster water went toward a city hall and it came close to covering the cost then reserves could be used for employee related items sooner.

Mr. Rodriguez stated once the building was off and running we could hopefully fund a compensation study.

Council Member Kirby stated the problems were understood and instructed him to get the answers to those questions.

Mayor Joens asked Mr. Bartosh if he had enough for his city hall question.

Mr. Bartosh stated he was looking for more. He would go ahead and explore some design options.

Mayor Joens stated one thing that needed to come back to the Council was the discussion on the Nackard property. She knew he preferred other property but it had never come back to the Council to say no to the Nackard property site. It was really a Council decision.

Council Member Norman asked how you could do plans if you didn't know where you were going to put it.

Mr. Bartosh stated that was part of the design section. Mr. Nackard was trying to sell and would give us a smoking deal, but it was still a lot of money.

Council Member Kirby stated the Sixth and 89A property was in the business area in the heart of the city and we owned it. We did not have to buy property if we didn't want to. We had property available that we could look at.

Mr. Bartosh stated the only thing that had been decided was to move the employees out of the court building as a necessary health and safety issue. The real question for the Council was where did we move them from here?

Council Member Pratt stated it seemed to him that city hall was another issue. Let's move ahead with this. That's the priority.

Mayor Joens asked if staff had direction.

Judge LaSota stated he did for the court.

Mayor Joens stated city hall would be for another day. It was good to have started the discussion.

POSSIBLE RENAMING OF A CITY STREET AND/OR INSTALLING A DISPLAY AREA IN THE NEW RECREATION CENTER IN HONOR OF BRIAN MICKELSEN

Mayor Joens stated these ideas had come from citizens. She had called the County who said that it was a decision for the city to make, so long as they were informed. It seemed like Paula Circle in front of the Recreation Center would be named Brian Mickelsen Parkway. It did not impact any business which would have to change their addresses.

Vice Mayor Pfeifer stated it was a good idea because people mixed up Paula Circle and Paula Street which did not connect to each other.

Mayor Joens asked if staff should be directed to find out if this was doable.

Council Member Pratt stated he supported it totally.

Mayor Joens stated the display was something that could be decided when the Center was built.

ADJOURNMENT

Council Member Kirby moved to adjourn. Council Member Elinski seconded the motion which carried unanimously. The work session concluded at 9:27 p.m.

Diane Joens, Mayor

Richard Smith, Deputy Clerk

CERTIFICATION OF MINUTES

I hereby certify that the attached is a true and correct copy of the minutes of a work session of the City Council of the City of Cottonwood held on July 14, 2009. I further certify that the meeting was duly called, and that a quorum was present.

Richard Smith, Deputy Clerk

Date