

MINUTES OF THE REGULAR MEETING OF THE CITY COUNCIL OF THE CITY OF COTTONWOOD, ARIZONA, HELD AUGUST 17, 2010, 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 regular meeting 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
Darold Smith, Council Member

STAFF MEMBERS PRESENT

Doug Bartosh, City Manager
Steve Horton, City Attorney
Marianne Jiménez, City Clerk
Dan Lueder, General Services General Manager
Rudy Rodriguez, Administrative Services General Manager
Mike Casson, Fire Chief
George Gehlert, Community Development Director
Roger Biggs, Utilities Administrative Manager
Casey Rooney, Economic Development Director

PLEDGE OF ALLEGIANCE TO THE FLAG

The Pledge of Allegiance was led by Marv Lamer, a member of the Airport Commission. Mayor Joens presented Mr. Lamer with a certificate for his participation.

BRIEF SUMMARY OF CURRENT EVENTS BY MAYOR, CITY COUNCIL AND/OR CITY MANAGER--
THE PUBLIC BODY DOES NOT PROPOSE, DISCUSS, DELIBERATE OR TAKE LEGAL ACTION ON
ANY MATTER BROUGHT UP DURING THIS SUMMARY UNLESS THE SPECIFIC MATTER IS
PROPERLY NOTICED FOR LEGAL ACTION

Mr. Bartosh made the following announcements:

- National Night Out was held two weeks ago drawing an attendance of about 1,000.
- The city was looking for people to serve on the Historic Preservation Commission.
- Saturday, August 28 at 7 a.m. would be the first annual Grape Stomp 5K Run from Old Town to Dead Horse State Park.

- The new hours at the library had been in effect for two weeks and seemed to be working out fine.

Council Member Smith stated he had attended the Verde Valley Land Preservation Institute meeting. They were signing papers to obtain a \$124,000 Walton grant, and would hold another meeting on September 13. He had also attended the POW/MIA flag raising ceremony at City Hall.

Council Member Kirby stated he would be attending the rescheduled NACOG and Head Start meetings in Flagstaff on September 2, followed by a Head Start meeting, and the Area Agency on Aging meeting to address by-laws would be held on September 15 or 16.

Mayor Joens made the following announcements:

- City Council meetings and other pertinent information was available through a partnership with Yavapai Broadcasting cable channel 20 and on online at verdevalleytv.com.
- On August 6, her son Davey who passed away at the age of 12 years old in 1985, would have been 37 years old now.
- Tomorrow, August 18, marked 3 years since City Manager Brian Mickelsen passed away in 2007.
- On August 10 she met with Dan Campbell and Brenda Burman of the Nature Conservancy. They were working on an economic study and value study of the Verde River, including tourism, agriculture, quality of life, and other things having to do with the Verde River riparian area.
- On August 11 she attended the League's Legislative Recap in Prescott.
- August 12 she had lunch with Clarkdale Mayor Doug Von Gausig, Nature Conservancy Verde Program Manager Dan Campbell, and Nature Conservancy Hydrologist Jeanmarie Haynie who was recently appointed to the Yavapai County Water Advisory Committee's Technical Administrative Committee. They discussed the future of the WAC and how Ms. Haynie could best serve all the stakeholders in her new position.
- On Friday, Fit Kids, along with the Verde Valley Medical Center, City of Cottonwood, and Phoenix Coyotes, presented sixth grader, David Briggs, with a Wii Plus fit system for him and his family for sustaining an active lifestyle in the Fit Kids program over the past four months. The Fit Kids of Arizona program was aimed at helping families improve their well being and to lead a healthier lifestyle.
- On August 16, Vice Mayor Pfeifer and Council Member Norman attended the Yavapai County groundbreaking ceremony for their new community health center.
- At 9 a.m. on the 16th, the Stewards of Public Lands gave a presentation and update to the Board of Supervisors and thanked them for setting aside funds this year for the Stewards' voucher program and for dumpsters in the county's areas.
- The Farmers Market was held every Thursday evening at 5 p.m. with music, crafts, and produce from local gardens.

- On Saturday, August 21, Sedona Mayor Rob Adams invited her to join him in celebrating the completion of SR179, at the Celebrate the Red Rock Road event. A formal event would be held from 10 to 11 a.m. at the Sedona Airport overlook.
- That afternoon she was invited for dinner at the VFW in Camp Verde by John Cornelius, the 93-year old gentleman who did all the fundraising for the Veterans Hospital services in Prescott.
- On August 24-27 she and the Council would attend the annual League of Arizona Cities and Towns conference. The theme this year was Looking Up in Down Times.

PRESENTATION OF A CERTIFICATE AWARDED TO THE CITY IN RECOGNITION OF THE CITY BEING SELECTED AS THE 2010 EMPLOYER OF THE YEAR BY THE YAVAPAI COUNTY LOCAL WORKFORCE INVESTMENT BOARD & THE NORTHERN ARIZONA COUNCIL OF GOVERNMENTS

Ms. Sharon Jackson, program manager of NACOG Economic Workforce Management, stated the city had entered a partnership with NACOG for utilization of its on-the-job training program. New employees in need of skill development were provided on-the-job training by the employer for up to six months with 50 percent of the trainee's wages being reimbursed by NACOG. Under this program the city had added and retained 15 new staff members, including 5 firefighters, 3 police officers, 4 recreation center positions, 1 building & parks maintenance position, and 2 administrative assistant positions. Funding assistance totaled approximately \$74,000. Ms. Jackson then presented the Council with a plaque for being selected as the 2010 Employer of the Year.

Mr. Bartosh stated Council Member Kirby was instrumental in bringing the program to the city.

CALL TO THE PUBLIC

There were no comments from the public.

APPROVAL OF MINUTES—REGULAR MEETING OF AUGUST 3, 2010

Council Member Kirby moved for the adoption of the minutes. Council Member Pratt seconded the motion, which carried unanimously.

OLD BUSINESS—None

CONSENT AGENDA

NEW LIQUOR LICENSE APPLICATION FOR JOHN BENEDICT FINNERTY, OWNER/AGENT FOR GREAT GAS LOCATED AT 607 EAST HIGHWAY 89A

Council Member Pratt moved to approve the consent agenda. Council Member Elinski seconded the motion, which carried unanimously.

NEW BUSINESS

PUBLIC HEARING REGARDING THE CITY'S INTENT TO RAISE THE RATES, FEES, AND CHARGES FOR MUNICIPAL WATER SERVICE

Mr. Lueder stated there was a lot of misinformation regarding the arsenic remediation program. To date, the city had spent \$2,279,000 on arsenic remediation which represented the cost of installing systems, work at each well site, testing, plus annual operational costs of approximately \$650,000. There was a misconception the water did not meet standards. Arsenic remediation had been installed on all but one well. That one had water of 11-13 parts per billion (ppb) of arsenic which was 1-3 ppb over the allowable limit. The wells with the highest arsenic concentrations had been treated first. Well #8 had arsenic levels of about 40 ppb and was remediated July 21, 2008. All other wells except one had been treated by taking those with the highest arsenic concentrations first. The city was under an administrative order from the United States Environmental Protection Agency (USEPA), Region 9, basically a plan for remediation; not a more serious consent order. USEPA representatives would visit September 13-14 to conduct a compliance inspection. One stipulation in the legislation governing the new arsenic standards was we had to meet the new standard in four consecutive quarters before being considered in compliance. Systems brought on line in June and July were still not considered to be officially in compliance. It did not mean the water did not meet standards. The final system delivery for Well 7-2 was scheduled for mid-October. That system should be up and running by the end of October or the beginning of November.

Council Member Smith asked where that well was and well 8-2.

Mr. Lueder stated Well 8-2 was a Verde Village well near Pioneer and had the highest concentrations of arsenic. Well 7-2 was also in Verde Village on Rainbow between Units 6 and 7. They were half a mile apart, yet one had 40 ppb and the other 11 ppb. All the coagulation systems had been started up except the Yuma well where testing had been completed but the city was waiting for a sign off by ADEQ. The city had to deal with USEPA in San Francisco, but operating approval was granted by ADEQ in Phoenix.

Mayor Joens stated arsenic remediation was an unfunded mandate from the federal government. At the time technology had been so new cost estimates were \$8 million. There had been considerable savings to the public by the way the city accomplished the mandate at a much lower cost.

Mr. Lueder stated because the technology had not been proven, the city had started with a lease program which the Council had approved. The important thing was city water was arsenic free, unlike the bottled water people purchased. That was because the city was regulated by the USEPA and bottled water by the US Food & Drug Administration and ADEQ. Their standards were not regulated as heavily because it was considered "transient" water, not in use every day. Neither was it tested for bacteria. Most bottled water was relabeled tap water.

The city had been conducting rate studies for two years. The Council authorized a rate study in August 2008. Those results were presented to the Council in July 2009. A Notice of Intent was published with the intent of coming forward in October 2008. A ruling on sewer bond funds being permitted to be used for operational costs resulted in the cancellation of a wastewater rate increase. The Council also wanted to wait to implement an increase because of the economic situation. In April 2010 there was a Council work session which discussed developing rate options which would reward low users of water. At a Council meeting on July 6, 2010, three options were presented by staff: 1) the original rate option recommended by our consultants; 2) a Council recommendation that would produce the same revenue but that rewarded low water users by keeping rates the same either up to 4,000 or 5,000 gallons per month. The option favored by the Council was the one presented tonight which would not change the usage rate for use of 1,000 to 4,000 gallons per month. Other rates would be adjusted. The original rate study done in 2004 had projected rate increases commencing in 2007 with rates substantially higher than those requested tonight. It was difficult to do comparisons with nearby communities. Sedona owned their wastewater system but not the water system. Camp Verde had a private water system and a sewer district. The only direct comparison could be with Clarkdale which owned and operated part of the same system as did Cottonwood.

Mr. Rodriguez stated enterprise funds could not be treated the same way as other funds. In government accounting enterprise funds were accounting funds which supplied goods or services to the public for a fee that made the entity self-supporting following generally accepted accounting principles as did a commercial enterprise. The city's own definition, posted in its budget, accounted for operations that were financed, operated in a manner similar to a private business enterprise, and where the intent of the governing body was for the cost expenses, including depreciation of supplying goods and services to the general public on a continuing basis, be financed or recovered primarily through user charges where the governing body had decided a periodic determination of revenues earned, expenses incurred, and net income was appropriate for capital maintenance public policy because it wanted to reflect revenue generation and match up to expenditures and ensure there was sufficient revenue not just for operations & maintenance and debit service, but also the management of the system and that all policies involved were followed. It should be self-sufficient and that was what the city was trying to do.

The city acquired all the water companies in the area: Cordes Lakes, Clemenceau, Verde Santa Fe (in 2004), and Cottonwood Water Works (in January 2006). The latter two were acquired with MPC bonds. When the city went into bonds there were conditions that had to be agreed to similar to a household mortgage. Bonds were secured by the net operating revenue of the water system and an agreement to make payments. Also, the obligation of the city to make the debit service was absolute and unconditional. These covenants were a legal, binding promise made by the bond issuer (the city) to a bond holder that was spelled out clearly in the bond indenture. The commitments we had were detailed in the bond documents and were available for review by the public. Another covenant was the city was required to establish and maintain water system rates and other charges sufficient to generate net revenues in each fiscal year equal, at least, to 135 percent of the principal and

interest requirements of the bonds. After taking in all revenues and deducting operational and maintenance expenses the remaining revenue must be equal the bond principal and interest plus an additional 35 percent. It was also required that if the city issued additional senior lien water revenue bonds at historical net system revenues, it would provide coverage at 1.35 times debt service on existing bonds and any new bonds issued. Any debt issued in to the future had to have the same coverage.

Council Member Kirby asked for an explanation of a senior lien revenue bond.

Mr. Rodriguez stated those were the first to be paid if there was any default. The city's bond rating had recently been upgraded from BBB to A, despite having no municipal property tax. The reasons for the upgrade were due to reduced uncertainty related to system operation and financial history. The city hired Mr. Lueder, a director with experience. The city had had a good financial performance over the past few years and met its coverages until 2009 and had reserves since 2004. It had strong liquidity despite paying cash for two water companies and remodeling a utility building. Other credit strengths cited were continued growth and a debt coverage ratio of 1.7 which deteriorated in 2009-2010 and would continue to in the coming year due to the high demand in replacement of different systems and other improvements. Another issue was the city had a 100-year water assurance and had acquired the Spring Creek and Quail Canyon systems. We were acquiring water companies and were able to be first in line for water rights in the future.

The city's debt service reserve fund was funded from the start instead of over a period of years. Rates were not increased in 2007 because the city was in relatively good shape. As of 2006 to 2009 our rating has fallen to 0.78. The insurers of our bonds had concerns with the delay in rate increases. The city had an annual requirement to disclose to bond holders its annual reports and any changes in rates. Our responsibility to bond holders was to honor our covenants. The question was how to do so responsibly without putting a burden on low end users. The options under consideration were the solution.

Mayor Joens stated she had looked at a study by the Arizona Investment Council, prepared by L. Williams Seidman Research Institute, which reported infrastructure needs and funding alternatives for Arizona from 2008 to 2032 would cost \$460-\$532 billion. It went on to say "If we did not start moving now, we would end up in a situation where growth in our economy would strangle and our quality of life would deteriorate. In the water/wastewater sector, Arizona alone would need \$109 billion to rehabilitate existing infrastructure for current populations, build new infrastructure to support future populations and secure new water supplies for current and future applications. An annual water rate increase of 3 percent would cover the gap between funds available under current mechanisms and total costs. The annual rate increase in the wastewater sector was 3.3 percent." The city had not raised water rates since purchasing the water companies in 2004. Tiered rates helped conservation and the increase in rates was small: \$1.36 for 4,000 gallons and \$1.94 for 6,000 a month.

Mr. Bartosh stated, in summary, a rate increase had been considered since 2004. One had

been recommended for 2007 that was much higher than the one being considered today. The city had spent close to \$2.3 million in arsenic remediation and would continue to spend another \$650,000 a year maintaining those systems. Rates were significantly lower than those charged by our neighbor, but the city was not following its covenants and that would eventually have a significant impact on the city's ability to get bonds at reasonable rates, something citizens would pay for, for years, if the city did not meet all its covenants. The system purchased was in need of much repair and would continue to need repairs for several more years, to purchase new water systems or drill new wells to meet new demands. The system had been improved dramatically since the city took over. Rationing that had occurred with the city was minimal compared to what used to occur. People could rely on a supply of good, clean water. That was not always the case. With a well run system there was a cost, particularly to meet all the arsenic requirements which was a primary reason the other owners sold the water systems to the city. It was important to recognize the investment that had to be made to keep the system in good operating fashion that people could depend on, not only for drinking, but for fire services as well. A tremendous amount had been done to improve fire flows, not only to the City of Cottonwood, but particularly in the Verde Villages. This was a modest increase. It did not come at a great time, but it had been held off as long as it was prudent to do so.

Council Member Smith stated he was not particularly interested in what other cities were doing, or anything else. What he was concerned about was right here. Every time when we talked about raising water rates people asked him why the city was buying these buildings and how much money was going to be spent on city hall. They asked where the money was coming from and how come it couldn't be used. Every time he turned around people asked him what the Council was doing: they were raising rates on the water, spending money for a new city hall, spending money for a new Riverfront sewer facility, all these things. It bothered him a lot and he needed to listen to citizens.

Mr. Bartosh stated it was unfortunate there was a lot of misinformation about what we could use money for and what we could not use it for. Granted, we could put reserve funds into operating accounts, but bond holders would not recognize it as revenue. It would do nothing to raise the ratio we needed to acquire. The other thing was we were limited in using that money for operations, period. It was important to give citizens correct information about reserve dollars, capital dollars, and where they could and could not be used.

Council Member Smith stated he understood that. What he was getting at was the average citizen out there did not understand. They saw \$5 million for a new city hall and water rates were being raised. His understanding was the city could take money out of the sewer fund if the Council said use the money for this.

Mr. Rodriguez stated at some point each and every one of us here had to take the responsibility to help out the public to understand these issues. No one had been to his office recently. He was always ready to see people and discuss the issues over a cup of coffee. He wanted to explain again that all the money he wanted could be funneled in, but the bond holders would not view it as a good business decision. It would be robbing Peter to

pay Paul. There was a problem with that. The city's commitment to its bond holders, and this was what it was really about, was we would take our operating revenues now, pay our bills now, and at the end of the year pay be able to afford to pay our debt on the bonds and still have 35 percent of the amount owed set aside for capital improvements or reserves for the future. It did no good just funnel reserve money into this. Going back to the reserves in the capital improvement fund, they had been set aside over 15-20 years for the specific purpose of building up capital infrastructure. It had been known for some time the city would need buildings to replace its old ones. That was why the funds were set aside. Now was perfect time to try to acquire assets at a reasonable price because the economy would come back. We could pay now at a fraction of what we would have paid just three years ago. We were taking advantage with the economy the way it was and acquiring assets the city sorely needed. We were also pumping a lot of money into the local economy by keeping a lot of our contractors busy which was more important than just acquiring assets.

Council Member Smith stated he realized that, however people were always questioning why the city was spending so much. Mr. Rodriguez said our rating was upgraded but we were not meeting the covenants. He had a difficult time grasping that.

Mr. Rodriguez explained when the Standard and Poor's upgrade was done, they were going by estimates. We had estimated we would have a rate increase in 2008 and 2009. Now it was 2010 and our insurer was concerned. In a few years they would look and say we did not do what we were supposed to and there would be the potential of a downgrade. The bottom line was we were lucky to get the rating we did based on estimates and we were trying to keep that rating by doing something about the default we had by not meeting our covenants.

Council Member Kirby stated he was getting tired of this talk about reserves. The Council could not use reserves to cover operating revenues. He had listened to this same argument for the last six months and if it was not understood by now it never would be understood. If someone did not understand it they could not explain it to people.

Vice Mayor Pfeifer stated it was plain and clear and had been for years. When she explained it to people they did not always agree, but they understood. She had watched over her many years on the Council these reserves be built up and if people really wanted to get it they would understand it. The rate of increase would not break anyone. She was unemployed and did not want to pay higher bills on anything. Other utilities were going up. The only way to replace pipes was to spend money to do it. We bought systems which needed upgrading. The people who owned them could not afford to upgrade them. There were certain things had to be paid for. To upgrade these systems and improve the services of the city was the price of doing business.

Mr. Bartosh stated he had done a couple of letters to the newspapers regarding reserves and budgeting as well as a couple of programs on "Inside Cottonwood", and he had gone out to groups to speak on these issues, and had done a lot to try and educate people.

Council Member Pratt stated this was an incredibly difficult issue. He had also talked to a lot of people and most understood acquiring buildings at a good price. Mr. Lueder deserved kudos for what they had done to upgrade a system that needed it. On the other hand, people were concerned about prices going up. What he would like to hear was the average price in dollars for the increase again.

Mayor Joens stated for 4,000 gallons and under it would cost \$1.36 per month and for 6,000 gallons and under it would be \$1.94.

Mayor Joens then opened the floor to the public.

Mr. Bob Oliphant, of Cottonwood Ranch, asked if the rate study the city paid for justified a rate increase since there were \$23 million in reserves. In his opinion the rate increases would only go to Wall Street bond holders.

Dr. Bob Richards, of Cottonwood, stated the rate increase requested was based on want, not need and there was no justification for it.

Ms. Janice Montgomery stated as President of the Verde Thumbs Garden Club, if water bills were too high it would not be economically feasible for people to raise their own food. She disagreed with the proposed water rate increase. If the city went ahead with the increase she proposed that the city adopt, like other utilities, a pro-rated billing system with bills averaged over a year's period of time. The city should also look into a program for rainwater harvesting.

Mr. James Allen, of Cottonwood, stated he supported the rate increase.

Ms. Ruth Kiessel, of Cottonwood, stated more information should be put on the website and another public hearing held.

Ms. Mary Eichman, of Cottonwood Ranch, stated she would not be opposed to a higher rate increase because that was the only way people would conserve water. The city should consider allowing additional donations on their bills as other utilities did, to assist the needy.

Mayor Joens closed the floor to the public. She asked if staff could do what Ms. Montgomery suggested and asked staff to explain what the city did with Catholic Charities.

Mr. Lueder stated staff would develop a budget program to have average monthly billing. The city had funded several training sessions regarding rainwater harvesting, and it was something that would be included in the new Landscaping Code. The Council had made \$10,000 available to Catholic Charities to assist those in need with water bills. This year an additional \$5,000 was authorized, should it become necessary. Donations would require a consultation with the City Attorney.

Mr. Horton stated there was no prohibition to the city allowing citizens to give extra money

on their bills to be set aside for that designated purpose.

Council Member Pratt stated he liked the idea of averaged monthly billing and being able to make donations. Raising rates did promote conservation, but he had spoken with many people who believed the rate increase would really hurt them.

RESOLUTION NUMBER 2530—AMENDING THE CITY OF COTTONWOOD MUNICIPAL WATER SYSTEM RATES AND FEES, ADOPTED UNDER RESOLUTION NUMBER 2070 AND AS AMENDED UNDER RESOLUTION NUMBER 2100

Council Member Kirby moved to approve Resolution Number 2530 amending the city's water rate schedule. Council Member Elinski seconded the motion, which carried with dissenting votes by Council Members Pratt and Smith.

Mayor Joens asked the City Clerk to read Resolution Number 2530 by title only.

RESOLUTION NUMBER 2530

A RESOLUTION OF THE MAYOR AND CITY COUNCIL OF THE CITY OF COTTONWOOD, ARIZONA, AMENDING THE CITY'S MUNICIPAL WATER SYSTEM RATES, FEES AND CHARGES.

Mayor Joens asked if Item #4 (Resolution Number 2535) could be moved up on the agenda because there were people present who might like to go home and get some other things done.

RESOLUTION NUMBER 2535—RECOGNIZING THE VERDE VALLEY REGIONAL ECONOMIC ORGANIZATION, INC. (VVREO) AS A REGIONAL COLLABORATIVE, BUILDING SUSTAINABLE ECONOMIC PROSPERITY WHILE PROVIDING COMPREHENSIVE ECONOMIC DEVELOPMENT EXPERTISE, MARKETING AND OUTREACH, ON BEHALF OF THE ENTIRE VERDE VALLEY

Ms. Robyn Prud'homme-Bauer, of Clarkdale, Chair of the Board of Directors, stated VVREO had been an economic organization under construction for the last three years when over 75 people came together at a regional economic forum ready to create an integrated regional approach to economic development. Since that time, the organizational structure had been solidified, a board of directors formed, a number of projects launched, and a set of goals developed to be able to continue to grow over the next two years. VVREO's mission and vision were very simple but very comprehensive. The vision was the regional collaborative building sustainable economic prosperity. Its mission mirrored that by providing comprehensive economic development expertise, tools, marketing, and out-reach. These seemed lofty, but very doable. Along with the mission and vision, were their core values: 1) Regional Economic Wealth Development, and under that the underlying principal of promoting a broad spectrum of business and employment that served diverse community needs and encouraged personal growth and wealth development of residents as part of a healthy economy; 2) Stewardship, with its underlying principal that future planning should

recognize clean water and clean air were essential elements of public health and quality of life for the Verde Valley residents, visitors, and future generations. These resources should be preserved and protected, and future land use and infrastructure planning should incorporate this recognition; 3) Sense of Place so future local planning should be based on vision, a vision of each community's future that incorporated citizens' input and reflected the community's desire within a regional context. It talked to the realization or the recognition that each community had a vision but it should be set in a regional context; 4) Quality of Life talked about future planning and development should assure the availability of a range of choices in housing, employment, education, recreation, health care, and other essential services; 5) Infrastructure--meeting each community's long-range needs for adequate and essential infrastructure such as water, waste and wastewater management, power, communications, and transportation systems, as well as safety and public facilities in a timely and responsible manner should be an essential objective of all future planning. Core values really expanded VVREO's vision and mission.

The board of directors had 14 members and one ex-officio member. Members were from all over the valley representing business small and large, governments, and educational institutions. It was hoped in the future to have an executive director. Now it was all volunteers in three areas: emerging partners, partners, and projects. Some projects were well known such as the Verde Valley Wine Consortium. It was a project under VVREO, mainly because it was a wonderful regional project.

In the Verde Valley, high-speed broadband was one of their major infrastructure needs. They had a loosely organized group of providers working to bring enhanced broadband to the Verde Valley. All they wanted was good coverage so we could expand the opportunities to bring people here who needed to get and receive information fast.

There was a concept of a regional enterprise zone they were working on. Some of the goals included identifying and creating a financial resource program. That was a way to bring money, big money not small money, big money together in the Verde Valley to possibly finance some of these industries whether the expansion of wineries or an existing business. Angel investors, revolving loan funds, and monies that could finance the growth of business here whether through attraction, expansion, or retention. This was our call to action. Each of our individual communities would have much greater economic strength working together as region and the combining of our resources would improve the economy of the entire area.

VVREO believed it was a benefit to the City of Cottonwood and they were asking for a Resolution of Recognition recognizing VVREO as a regional economic organization for the Verde Valley. They had received recognition already from Yavapai County, the Town of Jerome, and the Town of Clarkdale. They had prepared a draft resolution for approval. In recognizing VVREO as a regional economic organization, they strengthened the relationship with Cottonwood's economic development director since Mr. Casey Rooney sat on their board, and with the Cottonwood Economic Development Council, for business development projects that came to the region that might be interested in Cottonwood. VVREO believed they could help provide data on economic information important to all of us. VVREO wanted

to do economic development with the city in the Verde Valley. They had been recognized by the Arizona Department of Commerce as a strong economic development organization and they were a member of NACOG's economic development council. They had received an award from the Arizona Association of Economic Developers as the best small economic development organization in the state.

Council Member Pratt stated it was a no brainer. They were doing great work which was important and could lead to some good things. There were a few organizations that were not represented which employed a lot of people in the valley: Phoenix Cement, the hospital, and the casino. He asked if VVREO had reached out to them.

Ms. Prud'homme-Bauer stated they had had a member from Salt River Materials but she was no longer there. They had not called the casino. The hospital was a little more difficult to reach.

Mr. Tom Pitts, a member and Chairman of the Verde Valley Wine Consortium, stated a lot of work was being done with the casino. They hosted their two-year anniversary and the preliminary presentation of the executive summary of their economic impact study. They were working on joint marketing with the railroad and wine consortium.

Mayor Joens stated they were not asking for support now, but would soon in the future. She asked when that might be.

Ms. Prud'homme-Bauer stated it would be a planning step that would be looked at over the next two years; how to fund this organization long-term. It was important to note they were a "private-public" and specifically talked about it in that way because they wanted to make sure there was a large presence of the private business community. Many on the board were business owners. They believed a lot could be funded through the business community and individuals. When they came to the Council it would be as a partner.

Ms. Margie Beach stated one reason they were coming to the Council to get recognition was because the Arizona Department of Commerce was pretty much dissolved. Federal money that used to come through them would now probably go through NACOG and some other funding sources. They hoped to be able to access those by having the city's recognition. Hopefully they could be funded from that kind of source, our businesses, and individual members.

Mayor Joens stated she agreed with their plan and thought it a good one. The city put a lot of money into economic development as a city which benefited the region. Mr. Rooney's salary and benefits were approximately \$100,000. He did a lot in the region and he worked for the region as much as for the city. His budget for operations was \$18,000 or \$19,000. The Old Jail remodel was \$70,000 and the Business Assistance Center remodel, utilities, and other expenses were about \$50,000 and there was the donation of the recreation center for meetings. Old Town annual support was \$10,000. The Chamber bed tax the city donated was over \$100,000 a year. Cottonwood did donate a lot to the region and hopefully

everybody did recognize that. The city was definitely carrying a pretty good share right now.

Ms. Prud'homme-Bauer stated they volunteered their time but all of the board were giving in amounts, probably not as equal to what the City of Cottonwood did, from their income, their time, away from our businesses that they were doing for this organization.

Mayor Joens stated she supported the VVREO being designated as the economic development organization. Ten years ago there was a similar organization that failed because the County pulled the funding because there were no measurable accomplishments. She asked if the County was paying into the new organization as they had designated it as the official organization and what types of steps would VVREO take to try to be successful. She asked if they had talked about that— not to have a failure again.

Ms. Prud'homme-Bauer stated as part of the goals put up there, they were in the process of fleshing out objectives and measurable goals to show success.

Council Member Kirby stated he suggested they not lean too heavily on government for funding.

Mr. Rooney stated he recommended Council approval of this resolution.

Council Member Pratt moved to approve Resolution Number 2535. The motion was seconded by Council Member Norman, and carried unanimously.

Mayor Joens asked the City Clerk to read Resolution Number 2535 by title only.

RESOLUTION NUMBER 2535

A RESOLUTION OF THE MAYOR AND CITY COUNCIL OF THE CITY OF COTTONWOOD, ARIZONA, RECOGNIZING THE VERDE VALLEY REGIONAL ECONOMIC ORGANIZATION, INC. AS A REGIONAL COLLABORATIVE, BUILDING SUSTAINABLE ECONOMIC PROSPERITY WHILE PROVIDING COMPREHENSIVE ECONOMIC DEVELOPMENT EXPERTISE, MARKETING AND OUTREACH, ON BEHALF OF THE ENTIRE VERDE VALLEY.

POTENTIAL ANNEXATION OF THE QUAIL CANYON SUBDIVISION

Mr. Gehlert stated this followed discussion by the Council of annexation of the Quail Canyon subdivision and the more recent acquisition of the Quail Canyon Water System, including an existing subdivision platted and developed over the course of the last five years. There were 59 residential lots on 105 acres located just west of the State Trust block somewhat south of the city accessed by Camino Real to Quail Springs Ranch Road. It was located entirely on the south side of Quail Springs Ranch Road. It had been 5-6 years since the last annexation process of the Belsanti property.

The annexation process in Arizona was petition driven. It was required to obtain signatures of property owners within a fixed boundary representing a majority of the property owners and representing a majority of the assessed valuation. In this instance, the city had been approached by the majority property holder for the function of annexing this territory. The boundary had been determined. To commence the process the city needed to file the map with the legal description, and the blank signature petition with the County Recorder's office. That would begin a 30-day waiting period during which time the city would publish a number of notifications. Within the last 10 days of the period there would be the formal public hearing. Following the closure of the 30-day window, the Council would have another meeting to put out the annexation ordinance following the obtaining of signatures from the property owners. Issues were extending city services to this area. By statute, the city was required to adopt a resolution, a plan, for an extension of services to the area. Council packets contained sample material as well as revenue projections. The Council was asked to give staff direction to move forward on the annexation with the filing of the petition with the County Recorder's office.

Council Member Pratt stated the annexation would be at the wishes of the land owners and there were no associated costs to the city.

Council Member Smith stated there was only one household there. He asked if there was a medical emergency there, who would respond, Cottonwood or Verde Valley Fire District (VVFD).

Mr. Gehlert stated it would be at the discretion of the Council. Presently it was VVFD.

Chief Casson stated it had been the policy of the city after the last two or three annexations to assume responsibility and services for areas the city had annexed.

Council Member Smith asked what the time frame was there in an emergency.

Chief Casson stated it was probably within a minute or two of what was currently being served there. If it was a code arrest type of emergency, it would be dispatched by what they called an echo response, and an additional engine company was added and VVFD would respond with the city.

Council Member Elinski asked if sewer was available or was it something that would be added when services were brought out there.

Mr. Gehlert stated that was not something that was planned that he was aware of.

Mayor Joens asked if that was something they worked with the development community, to provide a small package plant we would take over.

Mr. Bartosh stated some of that was contingent on the development of State Trust Land which it abutted on the northeast side. The eventual plan would be to have a package

wastewater plant.

Council Member Smith stated when it was first brought up it was going to have all septic tanks there.

Mayor Joens stated the Council would have the opportunity to change that and it might be a benefit to everyone who drank water from the aquifer. The city would have more say in what happened and more stringent requirements than the County. She thought about Verde Village and the challenge with once something was developed, it was still part of Cottonwood, still part of the community, but those people could not vote. They had no say, yet their address was the same and their Zip Code was the same. If we could prevent that, she looked at it not just in a financial way but she looked at it in a social way too. Socially, it seemed it would be wise to look at the mistakes made in the past and not do them again, because look at what happened when that happened.

Mayor Joens asked if there were any comments from the public. There were no comments from the public. She asked if there was Council opposition to giving direction to staff and noted a Council Member was absent. There was no opposition from Council Members.

Council Member Kirby moved to give direction to staff to file the blank petition and other materials necessary to initiate the annexation of the Quail Canyon subdivision. The motion was seconded by Vice Mayor Pfeifer, and carried. Council Member Pratt was absent for the vote.

CLAIMS & ADJUSTMENTS

Council Member Smith asked why there were two \$49,000 items for APS and one for \$45,000.

Mr. Rodriguez stated the city received more than one APS bill.

Council Member Kirby moved to pay the claims. Council Member Norman seconded the motion, which carried unanimously.

EXECUTIVE SESSION – PURSUANT TO A.R.S. § 38-431.03(A)(7), THE COUNCIL MAY VOTE TO CONVENE IN EXECUTIVE SESSION IN ORDER TO CONSIDER ITS POSITION AND INSTRUCT ITS REPRESENTATIVES REGARDING NEGOTIATIONS FOR THE PURCHASE OF THE REAL PROPERTY IN OLD TOWN COTTONWOOD KNOWN AS GARDNER'S RECYCLING, YAVAPAI COUNTY ASSESSOR PARCEL NUMBERS 406-36-023, 406-36-021B, 406-34-011 AND 406-34-010

Council Member Kirby moved to resolve into executive session. Council Member Smith seconded the motion, which carried unanimously.

DISCUSSION, CONSIDERATION, AND POSSIBLE LEGAL ACTION TO AUTHORIZE STAFF TO

CONTINUE NEGOTIATING A PURCHASE CONTRACT TO PURCHASE THE GARDNER'S RECYCLING PROPERTY IN OLD TOWN COTTONWOOD

After discussion under executive session, Council Member Kirby moved to move into open session. Council Member Elinski seconded the motion, which carried unanimously.

Council Member Kirby then moved to authorize staff to continue negotiations on the Gardner property. Council Member Elinski seconded the motion, which carried unanimously.

ADJOURNMENT

Council Member Kirby moved to adjourn. Council Member Norman seconded the motion, which carried unanimously. The regular meeting adjourned at 9:05 p.m.

Diane Joens, Mayor

Marianne Jiménez, City Clerk