

**Notice of Public Meeting
Town of Superior
Work Session
Thursday, December 15, 2011-5:00 P.M.
Superior Senior Center
360 Main Street, Superior, AZ 85173**

MINUTES

A. CALL TO ORDER

Mayor Jayme Valenzuela called the meeting to order at 5:14 p.m.

B. SALUTE TO THE FLAG

Mayor Valenzuela led the salute to the flag.

C. ROLL CALL

Present: Council Members Hank Gutierrez (from 5:22 p.m.), Chris Tomerlin, John Tameron, Gilbert Aguilar, Soyla "Kiki" Peralta (from 6:40 p.m.), Mayor Jayme Valenzuela, Vice Mayor Olga Lopez.

D. DISCUSSION

1. Discussion of Independent Auditor's report from Colby and Powell for fiscal year ending June 30, 2009 and discussion of Pinal County Transportation Excise Tax report from State of Arizona of the Auditor General dated June 2011.

The agenda also asked council members to bring their reports from the December 1 council meeting. Council, staff and members of the public discussed this topic.

Deputy Town Manager Digirolamo said the staff had documentation, a timeline and a response to the auditor general. Nicole Welty of the finance department, as well as Rita Wentzel, were there to answer questions. Ms. Welty said the 2009 audit had been completed. They were moving on to the next one. Mayor Valenzuela asked what they learned from the audit. Ms. Welty said they overspent. She detailed multiple problems and said they needed to find more revenue and to treat the town as a business.

Council Member Tameron asked if there were a budget they followed, did they overspend the budget? Ms. Welty said that at that particular point they are within the Home Rule. It looks like they were under budget but they had also budgeted for an \$800,000 contingency, so they could be spending below the budget but not collecting the revenue.

Mayor Valenzuela said he wanted both sides. He wanted Ms. Wentzel to say what her eyes have seen since she had been there. Ms. Wentzel said she agreed with what Ms. Welty was saying but the simple answer was they had spent more than they received. It didn't matter what is budgeted. If the money doesn't come in, then they shouldn't spend it. What they had done was that the money wasn't coming into funds so they borrowed. The council had seen two places in their audit where

they had shared money. That was between the enterprise sewer and enterprise ambulance and that is acceptable. She didn't know if it was authorized by council but within funds you can share.

But when you start going from fund to fund, the only time it is allowed is by council. The council makes a decision to do it and has a repayment schedule. That is the part they missed.

Mayor Valenzuela asked if they knew how much the council promised to different entities that they are not going to be able to fulfill. Ms. Wentzel said one example was a motion made by Council Member Gutierrez to fund the first \$10,000 start-up of the Economic Development Committee and a further \$10,000 should the committee be able to match that. Being on the Economic Development Committee, the first thing she'd want to know is that money isn't available yet. She believed and she thought Ms. Welty agreed that whatever decisions council makes to commit money, those are restricted funds. She recommended they have somebody go back through their minutes because they committed to an ambulance, Economic Development, a police car, Little League and all of these entities. They can bring that back to council and change their initial decision.

Council Member Tameron asked if that motion that Mr. Gutierrez had made was out of this year's budget. Ms. Wentzel said that was correct. That was what she was saying. That is what they ought to look at. The previous year's budget they can't go back and fix.

Council Member Aguilar asked about the mutual benefits funding from Resolution. They could go back then and change the decision on what is left, right?

Mr. Digirolamo said the urgent needs funding was allocated four ways: Magma Club, Town Hall, Police Department and Wastewater. The only one that has not been committed to yet is wastewater.

Mayor Valenzuela asked how much are they behind in back payment of bills. Ms. Welty said they had the reports. Mayor Valenzuela said he knew but he wanted it to be heard. Ms. Welty said \$230,000, which started out at \$400,000 so they are making progress. There was further discussion centering on the fact that if they could bring in receivables, they could pay.

Mr. Digirolamo said the outstanding receivables were primarily in the area of utility amounts owed the town. With the new mayor and the council there may be a new philosophy as to how they collect. That is why they have been waiting. The council had foreclosed on utilities. They had an attorney that went after foreclosures. They were going to have to decide how they will go after these debts.

There was further discussion of \$202,000 in utility (sewer and refuse) bills owed the town, including the current month. Mr. Digirolamo said that re Ms. Welty alluding to how much the town owed, the vice mayor and he had signed checks of almost \$90,000 that day.

Mayor Valenzuela said re the new mayor and philosophy, that was just a month ago. He asked what they had done before that. Mr. Digirolamo said they were on standby a little bit, having had an issue with their former attorney. They had stopped her from doing foreclosures. There was a moratorium on that and the recall came up and they waited another month.

Mr. Gutierrez asked how much they had collected. Ms. Welty said going back and forth probably \$70,000. Mayor Valenzuela asked about whether that included the late fee of 10 percent and it was discussed that this had been reduced in August.

Mr. Gutierrez asked council how they were going to deal with this from a structural approach. Mayor Valenzuela said he understood what Mr. Gutierrez was saying but when he ran for office he had been told a lot of people weren't informed as to what went on and that bad decisions were made. He ran

on transparency and he wanted to be transparent. He knew they were jumping from here to there but it was important. Mr. Gutierrez said he knew but just wanted to be sure they covered ground.

Mayor Valenzuela said he had asked staff yesterday what financially they could do to fix their situation. Is there some way they can get money to pay their bills, to get right? They said there is the Resolution money but that is already pretty much extended. Mr. Gutierrez said that has not been allocated for 2012. Vice Mayor Lopez said she knew. Mayor Valenzuela said that comes in January.

Mr. Gutierrez said he did not look on the mutual benefits money as part of the operating fund. He looked on it as for future community benefit, not to supplement shortcomings on the town side or financial discrepancy. The intent of the mutual benefits fund was for things like park improvement, things to benefit the community as a whole.

Mayor Valenzuela said he heard what Mr. Gutierrez was saying but disagreed. He thought they needed to fix themselves before they went out and expended on a park or another project. They are billing their residents and not being financially sound themselves. Mr. Gutierrez said he has made the point that they should not budget the mutual benefits funds in the regular budget because those funds may go away. He commented on using them to do things like landscape and make operational the Magma Club as a revenue stream. Mayor Valenzuela said he agreed.

Ms. Wentzel said she believed after reading the mutual benefits agreement that the \$100,000 allocated every year is hardship funding and can be used to pay bills. Regardless, she believed that Resolution Copper is a smart business corporation. If the town went to Resolution and said they have a problem and want to use that money to pay their bills, she believed Resolution would jump up and down and cheer. Mr. Gutierrez said he is not talking about that. There is no language in the agreement but certain expectations are in the community. Mr. Digirolamo said it was the urgent needs funding and has to be approved by the council and can be up to \$100,000.

Mr. Aguilar said he has spoken to Resolution and they had said the town needed to get their finances straight. Mr. Gutierrez said all he is saying is they should make a big effort to find other sources to rectify the shortfall and use the urgent needs funds to benefit the community, not because they fell short in revenue or collections. Basically what they are doing is subsidizing those who can't or won't pay in utilities. It is not right on taxpayers.

Mr. Gutierrez said that at no time during the urgent needs discussions did staff say they needed to pay bills. Mr. Aguilar said that is why they needed to go back and make decisions based on where they are at. Ms. Welty said as an individual, not a staff person, she believed council needed to find out if it is more important to the townspeople that the town be financially sound. Mr. Gutierrez said that was his point. Vice Mayor Lopez reported on one of the Hearts & Minds surveys where respondents felt they were off track and not financially responsible. This was different from the previous surveys. Mr. Digirolamo said they were not out of balance if they collected the revenues from utilities. They would be even, back in the black.

There were further comments between council and staff on utility collection issues and also cost saving in the town, communication and the most cost efficient way for staff and council to distribute information, as well as the cost saving if insurance were not made available to council members.

A number of audience members, including Sue Anderson, Sonnie Samson, and town attorney Chris Wencker, as well as Curt Williams and Bill Holmquist, also participated in the general conversations.

Ms. Wentzel spoke about balancing the budget and how it is not a revenue problem, it is a spending problem, too much spending in an inappropriate fashion. She said staff is great but needs to be reined in and receive education.

Mayor Valenzuela said he thought they all understood and got the big picture that they needed to stop spending in all departments. Some decisions the council makes are not going to be well perceived by the public but that is why they are there. That is why they were elected, to balance their budget and be financially and fiscally sound and show they can run a business like a business should be run. It is going to take cutting corners. But also as Mr. Lant is probably tired of hearing from him already, there are other ways to beautify the community, in cleanup and showing them what they are doing out there, showing the community that they are not just sitting there doing nothing.

The mayor said that sometimes that is the perception because streets don't get clean, alleys don't get clean. He understood that everyone has a lot on their plate. But everybody reads in the papers that in municipalities everyone wears more than one hat. Just because you are the police chief, it doesn't mean that is the only job you are going to do. It is in all city governments around right now. Everybody is wearing another hat. Everybody has to do something else to pick up a loose end somewhere. Everybody is asked to help out. Right now it is a critical time.

Mayor Valenzuela said that is what they needed to do. If it takes cutting corners and cutting buying something, they need to do it. He asked staff to come back with recommendations on cuts and what they see as a plan on how they can fix their revenue stream. The council would come back with theirs. He is sure they are going to come to some decision, the right movement forward. He does not know how everybody else feels about that. But they talked about the \$100,000. That is going to have to go directly to their bills.

Mr. Gutierrez said he supported that, but they needed to let the community know they are not going to spend it on playground equipment or recreation. They are going to pay their bills. Mayor Valenzuela said that was exactly what they needed to get right.

Curt Williams from the audience commented on news from Miami. He cautioned the town not to lower the fire department rating. Mr. Gutierrez said it is not only the fire department but also public safety. Public safety is part of the economic development strategy. Mr. Williams said he agreed.

Mr. Holmquist said they needed help. The town will continue to be broke until they open up Main Street. They should form a group of mayors to help. He also commented on inequity in property taxes charged in Superior. Mayor Valenzuela said that he heard Mr. Holmquist and had heard him when he was there earlier. He said he had spoken to Mr. Larkin about the property tax issue.

E. ADJOURNMENT

MOTION: Council Member Gutierrez moved to adjourn. Council Member Tomerlin seconded. Mayor Valenzuela said they needed to review the excise plan. Council Member Gutierrez withdrew his motion.

Ms. Welty gave an overview of the excise plan and there was further discussion, questions and answers.

MOTION: Council Member Tomerlin moved to adjourn. Council Member Tameron seconded.

VOTE: The vote to adjourn was unanimous. Mayor Valenzuela adjourned the meeting at 6:50 p.m.

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Work Session of the Town Council of the Town of Superior held on the 15th day of December 2011. I further certify that the meeting was duly called and held and that a quorum was present.

/s/

Lou Digirolamo _____

Deputy Town Clerk/Police Chief

These Minutes were compiled and transcribed by
Cindy Tracy
An Independent Contractor.

(Final editing of these minutes and their content is completed and verified by staff members of the Town of Superior.)