

Minutes of the Work Session held January 9, 2012 at 6:05 p.m. in the Council Chambers.

**MEMBERS PRESENT**

Mayor Lopez Rogers and Council Members

Jim McDonald, Vice Mayor  
Stephanie Karlin  
Frank Scott  
Charles Vierhout  
Ken Weise

**EXCUSED ABSENCE**

Jim Buster

**ALSO PRESENT**

Charlie McClendon, City Manager  
Kevin Artz, Finance & Budget Director

**1) ROLL CALL BY THE CITY CLERK**

**2) UPDATE ON UTILITY SECURITY DEPOSITS**

Charlie McClendon, City Manager, stated that in 2010 the City of Avondale made changes to Ordinance 1425-1010 regarding utility deposit requirements in response to several legislative changes. During the summer of 2011, City Council received an update on the impact of those changes, and requested a second update once a full year's worth of data was available.

Kevin Artz, Budget & Finance Director, reviewed that in October of 2010 City Council adopted an ordinance increasing the water service deposit from \$75 to \$175; eliminated a provision to waive the deposit with a valid letter of credit; and eliminated a provision to refund the deposit with a 12-month history of timely payments. In July of 2011, the legislature made another change that further limited the ability of cities to collect on delinquent accounts. In an effort to collect from delinquent landlords, City Council decided to increase the security deposit from \$175 to \$250 for residential customers who do not live at the service location.

Mr. Artz said staff recently reviewed the data to determine whether the new policy was effective in controlling the number of delinquent accounts. Staff compared all the accounts with an outstanding balance that were opened and closed within a twelve-month period, with data from the previous twelve-month period when the City had no deposit requirement. Prior to the requirement, 465 accounts were left with a balance, which amounted to \$75,959. After the deposit requirement, 163 accounts were left with a balance, totaling \$13,644 in delinquencies. The number of delinquent accounts was reduced by 65%, and the outstanding balance reduced by 82%. The larger deposit requirement appears to have been a substantial factor.

Mr. Artz next compared accounts closed within FY2010 with those closed within FY2011. The outstanding balance on 2,227 accounts was \$423,648 in FY2010, compared to 1,829 accounts with an outstanding balance of \$351,099 in FY2011. He noted that the deposit was in effect for only seven months of FY2011. The City was able to collect 98.16% of revenue in FY2010, and 98.43% in FY2011.

Mr. Artz analyzed the outstanding receivables for owner occupied housing compared to that for rentals, using a sample of 100 accounts from FY 2010. Out of that group, 31% of delinquent accounts were owner-occupied, while 69% were rentals. The number of rentals in the city ranges between 35% and 40%. This suggests that rentals pose a little more risk for delinquencies. He pointed out that of the FY2010 closed delinquent accounts, 50% had been in their service location for 18 months, and over 44% were in that location for at least two years. This suggests that there is a risk involved in refunding deposits after 12 months.

Mr. Artz reviewed that the cost of delinquencies per year amounts to \$17 per account. The cost of the current security deposit to the customer is approximately 23 cents per year, based on short-term interest rates. Based on long-term interest rates, the cost is about \$1.75 to \$2 for the year. He said one benefit of holding deposits until accounts are closed is that it provides an incentive for the customer to notify the City when they want to disconnect their water service. Good payment history does not guarantee payment of closing bills. People are often more concerned about establishing themselves in their new location than taking care of their final bills at their old residence. The cost of the security deposit is often significantly less than the cost of the delinquent accounts. It is important to note that as a public utility, the interest income on deposits helps to offset rate hikes in the future. Staff recommends that Council maintain the current Ordinance regarding security deposits and refunding the deposit when the account is closed. Deposits are the most cost effective method available.

Council Member Weise inquired about the City's ability to recover money once the residents leave the city. Mr. Artz explained that staff estimates that 65% of delinquent accounts will not be collected. Council Member Weise commented that it is likely people intend to pay their bill but simply forget to do so during a move. People who are certain to have no further ties to the city will have little incentive to pay the bills. Deposits have made a significant difference.

Council Member Karlin asked about the public response to the larger deposit requirement. Mr. Artz responded that the most complaints are heard by employees when residents first establish service. Once staff explains that the \$175 deposit helps offset delinquencies, and that the money will be refunded, the residents see it is a better option than having the cost rolled into the rates and not refunded. Approximately six complaints have gone to City management about the deposit. Once the situation is explained to them, they might not be happy, but they understand that the City is acting in their best interest to offset outstanding delinquencies. Council Member Karlin suggested that cities could work together on a central clearing house to exchange information on delinquent account holders.

In response to an inquiry from Vice Mayor McDonald, Mr. Artz explained that the percentage of delinquent accounts dropped from 20% to 8% between the two periods analyzed. Vice Mayor McDonald inquired about the fund that deposits are placed in. Mr. Artz explained that deposits go into a general fund for the utility and then are transferred into the State Treasurer's pool for short term investments. Vice Mayor Donald asked whether moving it to a longer term investment would place a burden on the utility. Mr. Artz indicated it would not hurt to transfer 60% to 70% to a longer term investment, with the remainder kept liquid for refunds.

Vice Mayor McDonald suggested that the City could return 1% a year to residents if the money was placed in a longer term investment. It would be a small return, but at least would give residents something while the City held onto the actual deposit. Mr. Artz suspected that the administrative process of refunding the money on an annual basis could potentially be as much as the amount sent back. It would be preferable to educate the public that the money is helping to reduce their rates.

Council Member Vierhout asked whether delinquencies have fallen over the past few years. Mr. Artz surmised that the peak amount of delinquencies occurred in 2007 and 2008. The number of foreclosures has been cut in half over the past 12 to 18 months, and that affects delinquent receivables. There are many factors involved, but he feels that the deposit has had a positive impact in reducing delinquencies. If the City continues with the policy for a few more years, the majority of accounts will have deposits on them when they close, and that will further decrease delinquent receivables.

Council Member Vierhout inquired how long accounts have to be delinquent before they are written off. Mr. Artz said the allowance is adjusted each year. The current year plus three past years are kept on the books, but those amounts remain on the account. This allows staff to collect from people with delinquent accounts in their name who later return to sign up for a new account in Avondale. The amount is not in the books as an asset, but remains in the record for collection purposes. Council Member Vierhout inquired whether the information is ever sold to debt collectors. Mr. Artz said Avondale has not used an outside collection agency, but an in-house collector does go after some accounts.

Council Member Scott commented that while nothing can be done about past problems, future problems may be prevented and added that the \$175 deposit might be a burden on people, but overall it is the right thing to do. It is better for the City to hold the money than to have to ask for it. He requested another update once the City has been able to collect a full year of data. He also inquired about the number of businesses that are delinquent. The City should be tougher on delinquent businesses, since they have a responsibility to pay too. Mr. Artz said the City gives businesses more opportunities to bring their accounts current. This is partly because there are far fewer business accounts than residents, and staff does not want to impact their business operations unless necessary.

Mayor Lopez Rogers said businesses that do not pay their water bill could also be failing to pay their taxes. She requested information on whether using an outside collector would save more money than handling it in house.

#### 4) ADJOURNMENT

With no further business before the Council, Council Member Weise moved to adjourn the work session. Council Member Vice Mayor McDonald seconded the motion. The motion carried unanimously.

Meeting adjourned at 6:34 p.m.

  
Mayor Lopez Rogers

  
Carmen Martinez, CMC  
City Clerk

**CERTIFICATION**

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Work Session of the Council of the City of Avondale held on the 9th day of January 2012. I further certify that the meeting was duly called and held and that the quorum was present.

  
City Clerk

Minutes of the Regular Meeting held January 9, 2012 at 7:00 p.m. in the Council Chambers.

**MEMBERS PRESENT**

Mayor Lopez Rogers and Council Members

Jim McDonald, Vice Mayor  
Stephanie Karlin  
Frank Scott  
Charles Vierhout  
Ken Weise

**ABSENT/EXCUSED**

Jim Buster

**ALSO PRESENT**

Charlie McClendon, City Manager  
David Fitzhugh, Assistant City Manager  
Rogene Hill, Assistant City Manager  
Pier Simeri, Community Relations and Public Affairs Director  
Dan Davis, Economic Development Director  
Andrew McGuire, City Attorney  
Carmen Martinez, City Clerk

**1 ROLL CALL AND STATEMENT OF PARTICIPATION BY THE CITY CLERK**

Carmen Martinez, City Clerk, read a statement of participation regarding public appearances.

**2 UNSCHEDULED PUBLIC APPEARANCES**

Ruth Tolber addressed the Council as a resident of Avondale and requested amendment of the noise ordinance relating barking dogs. Currently there have to be two complaints and both complainants must agree to testify in court. She indicated she has been dealing with barking dog issue since February 2011. The Police Department has responded to her calls but they are limited as to what they can do based on the current ordinance.

Mayor Rogers directed staff to follow up with speaker

**3 CONSENT AGENDA**

Items on the consent agenda are of a routine nature or have been previously studied by the City Council at a work session. They are intended to be acted upon in one motion. Council members may pull items from consent if they would like them considered separately.

**a. APPROVAL OF MINUTES**

1. Budget Meeting of November 28, 2011
2. Work Session of December 5, 2011
3. Regular Meeting of December 5, 2011
4. Special Meeting of December 12, 2011
5. Regular Meeting of December 12, 2011
6. Special Meeting of December 19, 2011

**b. COOPERATIVE PURCHASING AGREEMENT - VORTEX INDUSTRIES, INC.**

A request to approve a cooperative purchasing agreement with Vortex Industries, Inc. to provide building door repair, maintenance, and replacement for the City of Avondale in an amount not to exceed \$60,000 and authorize the Mayor or the City Manager and City Clerk to execute the necessary documents.

**c. COOPERATIVE PURCHASING AGREEMENT - WIST SUPPLY & EQUIPMENT CO.**

A request to approve a Cooperative Purchasing Agreement with Wist Office Products in an aggregate amount not to exceed \$204,000 and authorize the Mayor or City Manager and City Clerk to execute the necessary documents.

**d. COOPERATIVE PURCHASING AGREEMENT - REGIONAL PAVEMENT MAINTENANCE OF ARIZONA, INC.**

A request to approve a Cooperative Purchasing Agreement with Regional Pavement Maintenance of Arizona, Inc. to perform full depth asphalt patchwork, miscellaneous asphalt repairs, and utility adjustment services in an annual amount not to exceed \$150,000 and authorize the Mayor or City Manager and City Clerk to execute the necessary documents.

**e. CONTRACT AWARD - H2O ENVIRONMENTAL**

A request to approve a contract to H2O Environmental for the purpose of removal and disposal of sludge from the Northside Arsenic Treatment Facility in an amount not to exceed \$55,290.00 annually and authorize the Mayor or City Manager and City Clerk to execute the necessary documents.

**f. COOPERATIVE PURCHASING AGREEMENT - WAXIE'S ENTERPRISE, INC.**

A request to approve a cooperative purchasing agreement with Waxie's Enterprise, Inc. for the purchase of janitorial products and supplies for city departments in a maximum aggregate amount of \$140,000 over the life of the agreement and authorize the Mayor or the City Manager and City Clerk to execute the necessary documents.

**g. SECOND AMENDMENT TO FINANCIAL ASSISTANCE AGREEMENT - CARE1ST HEALTH PLAN ARIZONA, INC.**

A request to approve the second amendment to the Financial Assistance Agreement with Care1st Health Plan Arizona, Inc. to receive continuing funds for operation of the Care1st Avondale Resource and Housing Center and authorize the Mayor or City Manager and City Clerk to execute the necessary documents.

**h. RESOLUTION 3025-112 - AUTHORIZING GRANT SUBMISSION TO THE ARIZONA DEPARTMENT OF TRANSPORTATION AND THE MARICOPA ASSOCIATION OF GOVERNMENTS**

A resolution authorizing submission of a grant application to the Arizona Department of Transportation and the Maricopa Association of Governments in the amount of \$750,000 with a 5.7% match requirement relating to design and construction of a multi-modal pathway along the east side of the Agua Fria river corridor and authorize the Mayor or City Manager and City Clerk to execute the necessary documents.

**i. ORDINANCE 1484-112 - DEDICATION OF POWER DISTRIBUTION EASEMENT TO SRP FOR WELL 25**

An ordinance dedicating a power distribution easement to Salt River Project for Well #25 Site Improvement Project and authorize the Mayor or City Manager, and City Clerk to execute the necessary documents.

Vice Mayor McDonald moved to approve the consent agenda including Resolution 3025-112 and Ordinance 1484-112 as presented. Council Member Weise seconded the motion.

ROLL CALL VOTE AS FOLLOWS:

Mayor Lopez Rogers	Aye
Vice Mayor McDonald	Aye
Council Member Buster	Excused
Council Member Karlin	Aye
Council Member Scott	Aye
Council Member Vierhout	Aye
Council Member Weise	Aye

Motion carried 6-0.

**4 RESOLUTION 3026-112 - INTERGOVERNMENTAL AGREEMENT - CITY OF GOODYEAR FOR CENTENNIAL PARADE AND KICK-OFF FESTIVAL**

A resolution approving an Intergovernmental Agreement with the City of Goodyear to jointly host an Arizona Centennial Parade and Event and authorize the Mayor or the City Manager and City Clerk to execute the applicable contract documents.

Pier Simeri, Community Relations and Public Affairs Director reviewed the particulars of this item as more specifically described in the Council report. She indicated that previously approved IGA required some items to be further clarified.

In response to questions from Council Member Karlin, Ms Simeri reviewed the hours of the event and indicated that the entire event will end at 3:00 p.m. She further clarified that EMCC has been on board throughout the planning process.

In response to a question from Council Member Weise, Ms Simeri commented that thus far Agua Fria High School Band has confirmed participation in the parade. She added that military vehicles owners have confirmed their participation in the parade and festival, but staff will also reach out to the AZ National Guard. Ms. Simeri indicated that staff is hoping not to have to completely shut down Litchfield Road, however, Dysart Road will have to be completely shut down for a period of time.

Council Member Vierhout asked if the neighboring businesses have been contacted. Ms Simeri indicated that schools and churches have been contacted. CVS will be contacted once the traffic control is finalized.

Mayor Rogers asked if there will be judging of parade entries. Ms Simeri replied that four stations will be set up so everyone is able to hear the description for each of the entries, staff is seeking sponsorship for prizes, however that piece is yet to be finalized. Ms Simeri indicated that staff is still looking for narrators for the event.

Vice Mayor McDonald moved to adopt Resolution 3026-112; Council Member Weise seconded the motion.

ROLL CALL VOTE AS FOLLOWS:

Mayor Lopez Rogers	Aye
Vice Mayor McDonald	Aye
Council Member Buster	Excused
Council Member Karlin	Aye
Council Member Scott	Aye
Council Member Vierhout	Aye
Council Member Weise	Aye

Motion carried 6-0.

**5 SELECTION OF VICE MAYOR**

Discussion and consideration regarding whether to extend Vice Mayor McDonald's current term as Vice Mayor or whether make a new one-year appointment to this position.

Council Member Weise commented that Vice Mayor McDonald has been very involved and has stepped up to fill in for the Mayor on many occasions.

Vice Mayor McDonald opined that to keep in the spirit of the two year appointment as stated in the Charter an interim Vice Mayor should be appointed.

Vice Mayor McDonald moved to consider Council Member Karlin for one year interim. Council Member Weise seconded motion.

ROLL CALL VOTE AS FOLLOWS:

Mayor Lopez Rogers	Aye
Vice Mayor McDonald	Aye
Council Member Buster	Excused
Council Member Karlin	Aye
Council Member Scott	Aye
Council Member Vierhout	Aye
Council Member Weise	Aye

Motion carried 6-0.

Mayor Rogers thanked Vice Mayor McDonald for his service to the City of Avondale as Vice Mayor.

**6 ORDINANCE 1488-112 - AUTHORIZING THE ACQUISITION OF REAL PROPERTY**

An ordinance authorizing the acquisition of real property by purchase, condemnation, or dedication of approximately 155 acres of property located near Avondale Boulevard and Roosevelt Street in the amount of \$30,300,000, authorizing the transfer of contingency funds in the amount of \$30,300,000 and authorizing the Mayor or City Manager and City Clerk to execute the necessary documents.

City Manager Charlie McClendon indicated that the appraisals for the property came in today and were substantially less than the proposed purchase price causing staff concern regarding moving forward with the project.

Vice Mayor McDonald commented that approving this item would be financially irresponsible on the part of the City.

Vice Mayor McDonald moved to deny Ordinance 1488-112; Council Member Weise seconded the motion.

Larry Allen, Vice President, Winners Development, indicated he is accompanied by other members of the Winners Team. He indicated that together with City staff they have worked on the five items stipulated on the Letter of Intent approved by Council for more than six months. He commented that Winners has invested time and money in this project. Mr. Allen indicated that their task was to assemble the land and determine feasibility of the project.

Justin Kolb, CFO of Winners Companies commented he has been involved in this project for six months. He indicated that appraisals are subjective and added that development would create economic value to the city and its residents which would be lost if the project does not move forward.

Mayor Rogers commented that the City has to do its due diligence and moving forward with the project would create a hardship to residents which they cannot afford at this time.

ROLL CALL VOTE AS FOLLOWS:

Mayor Lopez Rogers	Aye
Vice Mayor McDonald	Aye
Council Member Buster	Excused
Council Member Karlin	Aye
Council Member Scott	Aye
Council Member Vierhout	Aye
Council Member Weise	Aye

Motion carried 6-0.

**7 EXECUTIVE SESSION**

- a. An executive session pursuant to Ariz. Rev. Stat. § 38-431.03 (A)(4) for discussion or consultation with the City Attorney in order to consider its position and instruct the City Attorney regarding negotiations for a potential Economic Development Agreement.

Vice Mayor McDonald moved to adjourn into executive session. Council Member Weise seconded the motion.

ROLL CALL VOTE AS FOLLOWS:

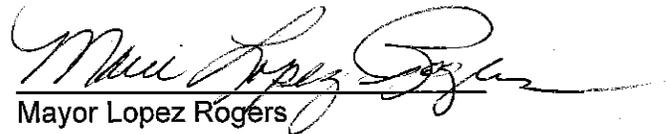
Mayor Lopez Rogers	Aye
Vice Mayor McDonald	Aye
Council Member Buster	Excused
Council Member Karlin	Aye
Council Member Scott	Aye
Council Member Vierhout	Aye
Council Member Weise	Aye

Motion carried 6-0.

**8 ADJOURNMENT**

There being no further business before the Council, Council Member Scott moved to adjourn the meeting; Council Member Vierhout seconded the motion.

Meeting was adjourned at 8:08 p.m.

  
Mayor Lopez Rogers

  
Carmen Martinez, CMC  
City Clerk

**CERTIFICATION**

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Regular Meeting of the Council of the City of Avondale held on the 9<sup>th</sup> day of January of 2012. I further certify that the meeting was duly called and held and that the quorum was present.

  
City Clerk