

# CONSENT AGENDA

Agenda Item IX-A

Date: 01/25/16

**MINUTES OF THE REGULAR MEETING OF  
THE ELOY CITY COUNCIL  
CITY OF ELOY  
628 NORTH MAIN STREET  
JANUARY 11, 2016  
6:00 P.M.**

**Staff Present:** Harvey Krauss-City Manager; Elizabeth Reuter-City Attorney; Mary Myers-City Clerk; William Pitman-Police Chief; Brian Wright-Finance Director; Ken Martin-City Engineer/Public Works Director; Rus Ketcham-Library Director; Jon Vlaming-Community Development Director; Zenia Cornejo-Management Assistant

**I. CALL TO ORDER**

Mayor Belloc called the meeting to order at approximately 6:01 p.m.

**II. INVOCATION**

Invocation was given by Mayor Belloc.

**III. PLEDGE OF ALLEGIANCE**

Mayor Belloc led Council and the public in the Pledge of Allegiance.

**IV. ROLL CALL**

Council Members Present: Councilmember JoAnne Galindo; Councilmember Andrew Rodriguez; Councilmember Augustine Saucedo; Mayor Joel Belloc; Vice Mayor Micah Powell; Councilmember J.W. Tidwell; Councilmember J.R. Nagy

Council Members Absent: None.

**V. COMMUNICATIONS**

Mr. Krauss conveyed the following communications to Council:

- Reminded Council of the Annual MLK Breakfast and March, January 18<sup>th</sup> at Eloy Junior High School cafeteria, sponsored by Eloy Division for Self and Community Improvement (EDSCI). Breakfast will be served from 8am to 10am, followed by a march to Trezell Park at 10:30am. Mr. Krauss said there will be activities at the park.

- Annual Chamber of Commerce banquet will be held January 22<sup>nd</sup> at the Holiday Inn, beginning at 6pm. Mr. Krauss said the city will be purchasing a table of 8 for Council.

Mrs. Betty Peterson, president of Community Outreach of Robson Ranch (CORR), updated Council on the status of the Heart of Eloy store which she anticipates will open later this month. Mrs. Peterson presented certificates of appreciation to several businesses thanking them and their employees for donation of their time and materials for this project.

Councilmember Galindo thanked Mrs. Peterson for all her efforts in bringing this project to fruition.

Mr. David Yankus, editor of the Eloy Enterprise, introduced Mr. Tanner Clinch who will be replacing him as editor starting this week.

#### VI. APPEARANCES FROM THE FLOOR

None.

#### VII. EXECUTIVE SESSION

Mayor Belloc moved executive session after agenda item X-c.

#### VIII. CONSENT AGENDA

<u>Agenda Item</u>	<u>Subject</u>
IX-A.	Approval of Minutes: 12/14/15 (regular)
IX-B.	Letter of Intent with Monsanto Company for Project Management of a Waterline Installation to Serve the Monsanto Facility at Highway 87 and Milligan Road
IX-C.	Approve Agreements with FM Group for Indoor Air Quality Investigations in the Public Works Building and in Finance, Council Chambers, Administration, and Police Department
IX-D.	Adoption of Resolution No.: 16-1367 Abandoning a Portion of Rankin Street north of Miller Road (formerly Myers Road) as requested by the Toltec Elementary School District.
IX-E.	Appointments to the Historic Preservation Commission

Motion by Vice Mayor Powell, seconded by Councilmember Tidwell to approve the Consent Agenda as presented, passed unanimously by roll call vote.

**IX. BUSINESS**

**F. ADOPTION OF ORDINANCE NO.: 15-850 TO ESTABLISH A TAX ON FOOD FOR HOME-BASED CONSUMPTION WITH FUNDS BEING DEDICATED TO COMMUNITY AND ECONOMIC DEVELOPMENT PURPOSES.**

*Cover sheet discussion: Council consider adoption of Ordinance No. 15-850 establishing a tax on food for home-based consumption with all funds being dedicated to community and economic development purposes effective on April 1, 2016.*

*In November 2013 Council directed staff to initiate a reduction of the tax rate as it pertains to food for home-based consumption. Council requested that this tax rate be reduced from 3% to 0%. At the time staff had projected that the anticipated revenue loss to be \$100,000 annually. At the January 27, 2014 meeting Council adopted Ordinance No. 14-824 reducing the tax rate on food for home consumption from 3% to 0%. After a full year of this tax reduction the City has realized a reduction of revenue of approximately \$250,000.*

*Interest has been expressed by some Council members that they wish to revisit the food tax issue. Based upon this interest, staff suggested that the tax be strictly dedicated for economic development purposes, and that it include a sunset provision so that future councils could evaluate its effectiveness and viability after several years of implementation. Further, staff will commit to Council that it will not expend funds from this dedicated account without prior approval of Council.*

*Based upon Council discussion at the October 26<sup>th</sup> and November 23<sup>rd</sup> regular meetings, there was support for either a 1.5% tax or 2% tax. Based upon the timeframe required for implementing a new food tax, staff is recommending an April 1, 2016 effective date. The steps in implementing the tax are as follows:*

- Within 10 days of adoption of the ordinance, the City must notify the Municipal Tax Code Commission.*
- At least 60 days prior to the effective date, the City must notify the Department of Revenue to comply with the requirements in the collection system.*
- Staff must also notify the Arizona League of Cities and Towns of a change in tax rates after adoption of the ordinance.*
- A public hearing is not required for adoption. However, if Council wishes to solicit public input prior to adoption then staff will need to schedule a hearing and the implementation date would need to be changed.*

*At the November 23, 2015 regular meeting support was expressed for using a portion of the revenues for park development, specifically new ballfields. To provide the Mayor and Council more flexibility in the use of these revenues, the proposed ordinance promulgating the food tax was expanded to include both community and economic development, with specific mention of park development, prospect trips and marketing, oversizing utilities, and incentives for new industry.*

*Staff has obtained a cost estimate of \$433,500 on developing a new ballfield with electrical service, and an estimate of \$383,400 for a lighted soccer field. Associated parking for the new fields is projected to cost \$241,000.*

*If there is a desire to expand the potential uses for this new revenue source, then it will necessary to either increase the sunset provision from 5 to 10 years or just eliminate the automatic sunset in order to generate sufficient funds to construct one ballfield and fund specific economic development activities. Thus, staff is offering four options for Council consideration with ordinance changes highlighted in yellow:*

- Implement a 1.5% or 2% tax on food for home-based consumption. (Casa Grande's food tax is 2%)*
- Establish a sunset provision of 10 years, or have no automatic sunset provision for the tax.*
- With each option, dedicate all funds derived from the food tax for community and economic development purposes, which would be determined by the Mayor and Council. Specific examples are noted in the proposed ordinance and would include park development, prospect trips and marketing, oversizing of utilities to accommodate new growth, and incentives for basic industry which create new jobs for Eloy residents.*
- In addition, staff will seek Council approval prior to expending funds from this account for community and economic development projects or programs.*

***FISCAL IMPACT:***

*The projected annual fiscal impacts on the various options are as follows:*

*1.5% - \$100,000 - \$120,000 per year-- 10 Years - \$1.0 million - \$1.2 million*

*1.5% - \$100,000 - \$120,000 per year – No Automatic Sunset*

*2% - \$130,000 - \$150,000 per year –10 Years - \$1.3 million - \$1.5 million*

*2% - \$130,000 - \$150,000 per year - No Automatic Sunset*

Mr. Krauss gave a brief overview of a proposal to re-establish the food tax which would be used solely for economic and community development.

Mr. Wright gave a PowerPoint presentation on the proposed food tax for home based consumption.

After the presentation, Council discussed the advantages and disadvantages of re-establishing the food tax for home based consumption.

A motion was made by Vice Mayor Powell and seconded by Councilmember Tidwell to read Ordinance No. 15-850, increasing the rate of taxation on food for home consumption from zero percent (0%) to two percent (2%) with no sunset clause by title only, passed unanimously.

Mrs. Myers read the ordinance title into the record.

Motion by Vice Mayor Powell, seconded by Councilmember Tidwell to adopt Ordinance No. 15-850, increasing the rate of taxation on food for home consumption from zero percent (0%) to two percent (2%) with no sunset clause, passed by the following roll call votes:

Ayes: Vice Mayor Powell; Councilmember Nagy; Councilmember Tidwell;  
Councilmember Rodriguez

Nays: Councilmember Galindo; Councilmember Saucedo; Mayor Belloc

**G. AUTHORIZE THE CITY TO ENTER INTO AN AMENDMENT TO THE AIRPORT LEASE AND FIXED BASE OPERATION AGREEMENT ALLOWING FOR UP TO A SIX MONTH EXTENSION OF THE AGREEMENT.**

**Cover sheet discussion:** *Council authorize the City to enter into an Amendment to the Airport Lease and Fixed Base Operation Agreement dated December 18, 1995 with Aero Specialists, Inc. allowing for a six month agreement extension to solicit requests for proposals from Fixed Base Operators (FBO).*

*On December 18, 1995 the City entered into an Agreement with Aero Specialists, Inc. to serve as the Fixed Base Operator (FBO) at the Eloy Municipal Airport. The Agreement provided that Aero Specialist lease Hangar #5 for the repair and maintenance of aircraft and aircraft equipment, and conducting other aviation operations. Hangar #5 also includes a pilot lounge which the FBO is required to maintain. The primary responsibilities of the FBO are the sale of aircraft oil and fuel and the collection of tie-down fees. The FBO also issues NOTAMs ("Notice to*

*Airmen") which are notices filed by an aviation authority to alert aircraft pilots of potential hazards along a flight route or at a location that could affect the safety of the flight. Examples of NOTAMs are inoperable runway lights, a closed runway, and military exercises that restrict airspace.*

*Rather than directly negotiating with the current FBO at this time, staff believes it is appropriate to solicit proposals in order to ensure that the City is obtaining the highest level of service and the maximum amount of revenue. It will take several months to solicit proposals and negotiate a new agreement with an FBO. Thus, staff is proposing that the current FBO Agreement be extended under the same terms for six months or until a new FBO Agreement can be negotiated and presented to the Mayor and Council for review and consideration.*

**FISCAL IMPACT:**

*The current FBO Agreement generates approximately \$575.00 per month in rent for Hangar #5. Based upon current market rates, Hangar #5 will generate approximately \$1,500.00 per month in rental income. Also, staff will be seeking a fuel flowage fee on the sale of aircraft fuel in a new Agreement, which is a common practice with other FBOs within the State.*

Mr. Krauss reviewed the proposed Airport Lease and FBO agreement with Council.

Mr. Krauss noted a clarification on the rent amount for Hangar #5. In his report, he indicated that it was \$575 per month; however the original agreement had a Consumer Price Index (CPI) clause. He said Aero Specialists is actually paying \$713.86 per month and not \$575.

Mayor Belloc asked for clarification of hangar #5 generating \$1500 per month. He also asked about the fuel flowage fee.

Mr. Krauss explained that when the new agreement is done six months from now, the rental fee will increased to fair market rates.

Mr. Krauss said one thing that is not covered in the current agreement is fuel flowage fees. He said a survey was done of all airports in Arizona and most of them all have a fuel flowage fee that ranges from \$.04 to \$.12.

Vice Mayor Powell wanted to know when the agreement would expire.

Mr. Krauss said it will expire within six months or until Council approves a new agreement.

Councilmember Tidwell asked Mr. Krauss if during the 20 years Aero Specialists have been FBO, has there been interest from other companies wanting to be FBO.

Mr. Krauss said no; the market here for this is not that great. He said staff can go out for proposals, but would probably get only one.

Motion by Councilmember Tidwell, seconded by Vice Mayor Powell to authorize the city to enter into an amendment to the Airport Lease and Fixed Base Operation Agreement allowing for up to a six month extension of the agreement, passed unanimously by roll call vote.

## X. INFORMATIONAL ITEMS

- a. **December Finance Report** – No comments and/or questions from Council.
- b. **December Check List Report** – Councilmember Tidwell asked Mr. Krauss if staff ever went out for proposals for a consultant for housing rehab to see if BBAR Consulting is the best one. He stated the city paid BBAR \$5300 in November. He said the money could have gone toward rehabbing a house in Eloy.

Mr. Krauss conveyed that staff did seek proposals from various agencies and only received one proposal which was from BBAR Consulting. He said staff will be bringing the contract to Council at the next meeting for approval.

- c. **Overtime Report July 2015 thru December 2015** – Councilmember Tidwell pointed out several departments that were well over 50% of their overtime budget (Recreation – 167% and Library-118%).

Mr. Krauss explained that recreation's overtime is due to the number of seasonal activities occurring from summer through the end of year. He said overtime should be less during the winter time because of no seasonal activities. The library's overtime is due to staffing shortages. Mr. Krauss conveyed that Chief Pitman presented a plan to him last week to reduce overtime by 75% in his department which he will be implementing next week.

## VII. EXECUTIVE SESSION

Motion by Vice Mayor Powell, seconded by Councilmember Tidwell to hold an Executive Session at approximately 7:10pm with the City Manager, City Attorney (if needed) and City Clerk (transcribing), for approximately one hour to conduct a performance evaluation of the City Manager and discuss City Manager employment contract, pursuant to A.R.S. §38-431.03 (A) (1), passed unanimously.

*Mayor Belloc called the public meeting back to order at approximately 8:05pm.*

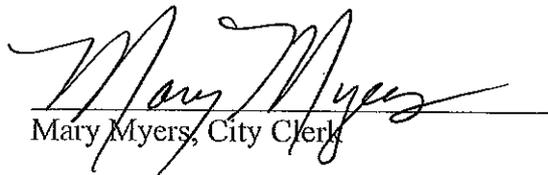
Council discussed setting a date and time for a budget work session. It was the consensus of Council to hold a budget work session February 20<sup>th</sup> at 1:30 p.m. with staff at the public library.

**XI. ADJOURNMENT**

There being no further business, Mayor Belloc adjourned the meeting at approximately 8:08 p.m.

  
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Joel G. Belloc, Mayor

ATTEST:

  
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Mary Myers, City Clerk