

## Minutes Town Council Regular Meeting March 14, 2019

Valerie Molina  
Mayor

Minutes of the Guadalupe Town Council Regular Meeting held on Thursday, March 14, 2019, at 6:00 P.M., at Guadalupe Town Hall, 9241 South Avenida del Yaqui, Guadalupe, Arizona, in the Council Chambers.

Ricardo Vital  
Vice Mayor

### A. CALL TO ORDER

Mayor Molina called the meeting to order at 6:00 P.M.

Mary Bravo  
Councilmember

### B. ROLL CALL

Councilmembers Present: Mayor Valerie Molina, Vice Mayor Ricardo Vital, Councilmember Mary Bravo, Councilmember Anita Cota, Councilmember Gloria Cota, Councilmember Elvira Osuna, Councilmember Joe Sánchez

Anita Cota  
Councilmember

Staff Present: Jeff Kulaga – Town Manager / Clerk, Wayne Clement – Fire Chief, Jennifer Drury – Assistant to the Town Manager, Gerardo Moreno – Public Works Director, Nancy Holguin, Community Development, Catalina Alvarez – CAP Director, Veronica Matuz, Senior Center Director, Kay Savard, Deputy Town Clerk, and David Ledyard – Town Attorney

Gloria Cota  
Councilmember

Elvira Osuna  
Councilmember

### C. INVOCATION/PLEDGE OF ALLEGIANCE

Councilmember Anita Cota provided the invocation. Mayor Molina then led the Pledge of Allegiance.

Joe Sánchez  
Councilmember

### D. APPROVAL OF MINUTES

1. **Motion by Councilmember Bravo to approve the February 28, 2019, Town Council Regular Meeting minutes; second by Vice Mayor Vital. Motion passed unanimously 7-0.**

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Approved the February 28, 2019, Town Council Regular Council Meeting minutes.

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### E. CALL TO THE PUBLIC – None.

*Mayor Molina announced that agenda items G2 – G4 will be taken out of order.*

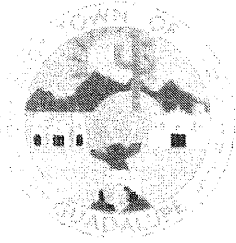
### F. MAYOR and COUNCIL PRESENTATIONS – None.

### G. DISCUSSION AND POSSIBLE ACTION ITEMS

2. **DIA DE GUADALUPE FINANCE REPORT:** Jeff Kulaga, Town Manager / Clerk, presented the revenues, expenses, and grant funding allocated for the February 9, 2019, Dia De Guadalupe, Town hosted, event. Mr. Kulaga reported that the event was approximately \$844 under the project budget allocation.

Councilmembers discussed the possibility of hosting the event at the Mercado in 2020, and scaling back the event to offering cake as the refreshment; and, hosting the event every five years, after the 2020 event.

3. **CLAIMS:** Councilmember approved the February 2019 check register totaling \$384,862.78.



**Motion by Councilmember Anita Cota to approve agenda item G3; second by Councilmember Osuna. Motion passed unanimously 7-0.**

**4. PASCUA YAQUI TRIBAL COUNCIL JOINT MEETING WITH TOWN COUNCIL:** Jeff Kulaga, Town Manager / Clerk, stated that staff is seeking Council feedback on scheduling a joint meeting, open to the public, with the Pascua Yaqui Tribal Council for Wednesday, May 17, 2019, at 2:00 p.m., or, a date/time to be determined. The proposed meeting location is Town Hall, Council Chambers, 9241 S. Avenida del Yaqui, Guadalupe, AZ.

Valerie Molina  
Mayor

Councilmembers concurred with the proposed joint meeting date, time, and location, with the Pascua Yaqui Tribe.

Ricardo Vital  
Vice Mayor

**1. FIVE-YEAR TOWN FINANCIAL FORECAST:** Jeff Kulaga, Town Manager / Clerk, provided a slide presentation outlining the purpose of a five-year financial forecast, an outline of the refined Town General Fund, special and enterprise funds, financial impacts, and next steps. The forecasts take into consideration special and enterprise revenue/expenditure trends, dependency of General Fund transfers, anticipated needs/activities, legislative impacts, anticipated cost of services, and cost of material increases, to project future Town revenues and expenditures. The forecasts will serve to assist the Council in their decision-making processes.

Mary Bravo  
Councilmember

Anita Cota  
Councilmember

Gloria Cota  
Councilmember

Mr. Kulaga highlighted assumptions used, and not used, in the financial forecast. Assumptions used include the contract increase for the services of the Maricopa County Sheriff's Office (MCSO) and sewer infrastructure needs. Among other assumptions considered, the loss of Arizona Mills Mall (Mall) revenue of \$100,000 annually to the Town of Guadalupe (Town) was not used in the assumptions because the City of Tempe committed to the Town that as long as the Mall is operating, the Town will receive \$100,000 annually. Given the revised General Fund, including budget transfers, forecasted revenue and expenditures, and without structural financial changes, staff projects a fund balance shortfall of \$210,963, in 27 months. Town expenditures are exceeding revenues.

Elvira Osuna  
Councilmember

Joe Sánchez  
Councilmember

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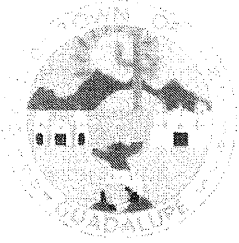
Mr. Kulaga discussed the five-year, financial forecast scenarios outlined below. He then outlined the purpose of each of the special funds and discussed the supplemental funding provided by external agencies for various programs and activities; and, fund transfers from the General Fund to supplement various special funds.

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Mr. Kulaga discussed the possibility of exploring the use of alternative service providers to take over various programs and activities currently provided by the Town, such as services and activities offered at the Senior Center and the Community Action Program. He then discussed the building improvements needed at the Mercado, including the replacement of an air conditioning unit.

An area of concern is the Towns' aging sewer infrastructure, which was built in 1977/1978 and spans 12 miles. Mr. Kulaga stated that he is exploring the possibility of acquiring a low interest loan from the Water Infrastructure Financing Authority (WIFA). Town residents pay \$6/month for sewer infrastructure fees; and, there are approximately 1,300 residential utility accounts.

Mr. Kulaga discussed the solid waste fund balance. The Town has a contract with Waste Management that expires in February, 2020. Staff could issue a Request for Proposals for solid waste service providers. Another option would be to increase fees for this service. Staff will provide follow up information on a potential sewer fee increase, and associated impacts.



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The General Fund deficit impacts various programs. Further discussion is needed to determine what the priorities of the community are; and, what levels of service the Senior Center and Community Action Program can provide, without receiving financial assistance from the General Fund. Consideration should also be given to increasing fees for the use/rental of the Mercado, and sewer and solid waste services. To resolve the structural deficit, spending should be reduced and revenues increased, or a combination of both.

Mr. Kulaga stated that leveraging Town assets is another area of consideration. For Council's consideration, he is in the process of preparing a Request for Qualifications/Interest (RFQ) for developers or interested parties, to determine if there is any interest in the development of Town owned, vacant land. Development of those parcels could increase sales tax revenue.

Staff is also in the process of reviewing existing lease agreements, taxes, and tax rates. Mr. Kulaga credited the Town Council for eliminating the exception for imposing a construction fee for governmental entities from being liable for paying construction tax fees.

Staff is conducting a cost/benefit analysis regarding essential services that are provided to the Town; and, is assessing fixed versus discretionary costs. Community input will help determine what the priorities and values of the community are.

Mr. Kulaga discussed the return on investment that the Town derives from staff memberships to organizations such as the Maricopa Association of Governments. He also noted that the Fire Department and Town Court personnel have mandatory training that cannot be eliminated from the budget. He then discussed the need to assess the aging sewer pipe infrastructure. Mr. Kulaga closed by stating that the structural deficit is sizeable.

Mayor Molina invited audience attendees to speak on this topic. No one spoke.

Councilmembers discussed the possibility of enlisting the services of the City of Tempe to provide public safety services and refuse collection for the Town; requested data on calls for service for the Fire Department; establishing a partnership with the Pascua Yaqui Tribe (PYT) to provide funding for the operation of the Senior Center – and adding this topic to the agenda for the upcoming joint meeting with PYT; consider adding the Mercado to the RFQ for Town property; explore ways that Mercado tenants pay costs associated with building repairs and electricity, similar to a homeowners association fee; explore fee increases for sewer and solid waste; and, that cutting staff positions is not an option.

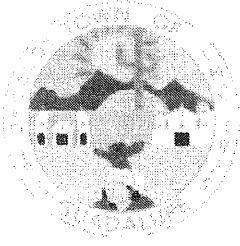
In response to questions, Mr. Kulaga stated that the Town has five payments left on the Municipal Corporation bond. The Town's current contract with Waste Management expires in February 2020; staff will be meeting with Waste Management representatives to discuss contract terms; and, based on those discussions, staff may consider issuing a Request for Proposals for refuse collection.

Mr. Kulaga stated that he will be preparing various budget recommendations for Council consideration.

Councilmembers continued their discussion by noting that eliminating the Court would save approximately \$200,000 annually – a larger cost savings is needed; and, that economic development would have a lasting impact on the community.

In response to a question, Mr. Kulaga stated that the Administration budget includes budget transfers, contingency funds, court/jail fees, and animal control fees.

Councilmembers requested additional data on a potential tax increase. Mr. Kulaga noted that the Town of Guadalupe does not have a property tax and if implemented, the impact to residential tax bills would be significant; and, that the taxes collected would not have a



substantial impact on resolving the Town’s financial problems. Councilmembers requested additional data on the impact of implementing a property tax and requested a list of municipalities that do not assess property taxes.

Councilmembers discussed the possibility of cost sharing of police and fire services with the Pascua Yaqui Tribe or the Gila River Indian Community (GRIC). Mr. Kulaga stated that staff has explored this possibility with GRIC, and GRIC declined. Councilmembers noted that if the Pascua Yaqui Tribe were to share the cost of these services, it would be mutually beneficial.

Valerie Molina  
Mayor

In response to a question, Mr. Kulaga stated that staff is proposing to allocate \$103,000 for a sewer study; and, that it would be possible to postpone the sewer study until staff has secured a low interest loan from WIFA. The sewer study is needed so that staff can prioritize replacement of sections of piping. In response to a question, the Town finances have an impact on whether or not WIFA will approve a low interest loan. At this point, WIFA has indicated that a low interest loan is questionable, due to the Town’s financial status.

Ricardo Vital  
Vice Mayor

Mary Bravo  
Councilmember

In response to a question, Mr. Kulaga provided a breakdown of what City of Tempe residents pay for their water, wastewater, and solid waste services; and, compared Tempe’s rates of approximately \$13.20/household to the Town’s water/wastewater rates of \$6/household; and, that these fees are to maintain sewer pipes in both jurisdictions. He noted that the City of Tempe provides administrative services for billing the Towns’ residents for water/wastewater.

Anita Cota  
Councilmember

Gloria Cota  
Councilmember

Elvira Osuna  
Councilmember

Councilmembers requested data on how many seniors are receiving services at the Senior Center; and, how many community members are being served by the Community Action Program.

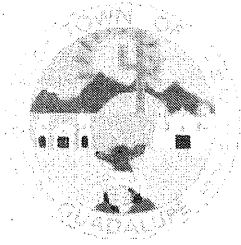
Joe Sánchez  
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	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24
<b>ENDING FUND BALANCE</b>	Estimated	Projected	Projected	Projected	Projected	Projected
<b>Baseline - Current Conditions</b>	\$964,258	\$462,250	(\$210,963)	(\$1,370,534)	(\$2,749,895)	(\$4,217,462)
<b>Scenario A - decrease \$250,000 spending</b>	\$964,258	\$712,250	\$289,037	(\$620,534)	(\$1,749,895)	(\$2,967,462)
<b>Scenario B - increase \$300,000 revenues</b>	\$964,258	\$462,250	\$89,037	(\$767,534)	(\$1,840,865)	(\$2,999,342)
<b>Scenario C- decrease \$250K, increase \$300K</b>	\$964,258	\$462,250	\$339,037	(\$267,534)	(\$1,090,865)	(\$1,999,342)
<b>Scenrio D- decrease \$250K, increase \$300K - \$1.2M</b>	\$964,258	\$462,250	\$339,037	\$4,466	\$5,105	\$5,538
Scenario A: FY 19/20 decrease						
Scenario B: FY 20/21 increase						
Scenario C: FY 20/21 decrease and FY 20/21 increase						
Scenario D: FY 20/21 decrease, escalating increases FY 20/21						

In response to a question regarding if the Mercado tenant rents are up to date, Dave Ledyard, Town Attorney, stated that for tenants whose rent is not current, the Town has the option to evict tenants. There are vacancies at the Mercado; however, if the Town chooses to subsidize businesses, then it decreases the budget that the Town could be using for other services or programs. The Mercado is in need of repairs, which makes it challenging to attract new tenants. Another option is for the Town to hire a property management company to manage



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the facility. Councilmembers noted that changes in the community are needed within the next 27 months; and, that tenants that are in default of their rent should be notified that their rent needs to be paid timely; and, that another option is that these problems could be addressed when leases are up for renewal. Mr. Kulaga added that there are tenants that are on a month to month lease.

Councilmembers discussed how the Court and Fire Department would be the largest budget cuts; and, that contracted services should be considered.

Councilmembers emphasized the importance of treating the Mercado as a business; and, not offering rent free tenant space.

In response to a question about what happens in 2021 if there is no interest in developing the Town land, Mr. Kulaga stated that the Town would be unable to pay its bills and that a bankruptcy could be the result. Mr. Kulaga stated that he will work with Mr. Ledyard throughout this process. Mr. Ledyard added that no other Arizona city/town has declared bankruptcy and that this is a complicated process that may result in the Town being disincorporated and becoming a County island. At that point, the County would take over all Town assets.

In response to a question, Mr. Kulaga clarified that the businesses in the Town do not pay property taxes. He stated that it is unclear how a property tax would impact existing businesses, and attracting new businesses. Implementation of a property tax would require voter approval; and, if the Council calls a special election, it would have a budgetary impact. Mr. Kulaga discussed the election timeline and notification process.

Mr. Kulaga stated that staff is exploring what the tax base is for rental properties.

Councilmembers discussed concerns regarding the lack of policing activity that the Town receives from the Maricopa County Sheriff's Office (MCSO). Mr. Kulaga stated that staff has discussed these concerns with MCSO. He also conferred with other jurisdictions that have a contract with MCSO and they have experienced rate increases, along with the Town's MCSO rate increase. He has asked MCSO what the Town is getting in exchange for the contract rate increase. 3% of the rate increase is an administration fee.

Councilmembers and Wayne Clement, Fire Chief, discussed the use of the Narcam drug during Fire Department response calls, and its associated budgetary impact.

#### H. TOWN MANAGERS' COMMENTS

Jeff Kulaga, Town Manager / Clerk, reported the following:

- Saturday, March 16, 2019 – Little League Parade; Opening Day Ceremony.
- Sende Vista/Calle Carlos Repavement Project is a \$568,000 grant funded project that includes pothole repairs. Weather conditions delayed the project. The Post Office has temporarily discontinued mail delivery during this project. Community members can pick their mail up at the Post Office on Priest Drive.
- Salt River Project (SRP) Pole Replacement Project – project began on March 13, 2019; and, was delayed due to weather conditions. SRP is working to replace poles near (Frank) School during spring break. MCSO will be patrolling cross walks when school resumes.



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### I. COUNCILMEMBERS' COMMENTS

Councilmember Anita Cota

- o Pothole repair is needed at Avenida del Yaqui/Calle de Nawi.
- o Need dag marks across from the school; vehicles speeding and passing vehicles at the school crosswalk. MCSO was not in the area.
- o Turn park lights off earlier in the evening.

Councilmember Sánchez

- o Abandoned vehicle at Avenida del Yaqui/Van Nawi.

Councilmember Bravo

- o Would like assistance in determining property ownership.

Vice Mayor Vital

- o Crosswalk in Town needs signage.
- o Thanked audience members for attending the meeting; and, encouraged more people to attend these meetings.

Councilmember Gloria Cota

- o Thanked staff members for attending the meeting.

Councilmember Osuna

- o Concerned about potholes in Town.
- o Thanked staff and audience members for attending the meeting.

Mayor Molina

- o Thanked staff for the financial forecast. Thanked her colleagues for asking hard questions. Invited community members to attend the budget meetings in May.

### J. ADJOURNMENT

**Motion by Vice Mayor Vital to adjourn; second by Councilmember Sánchez. Motion passed unanimously 7-0.**

The meeting was adjourned at 7:35 p.m.

  
Valerie Molina, Mayor

ATTEST:

  
Jeff Kulaga, Town Manager / Town Clerk

### CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Town Council Regular Meeting of the Town Council of Guadalupe, Arizona held on the 14<sup>th</sup> day of March 2019. I further certify the meeting was duly called and held, and that a quorum was present.

  
Jeff Kulaga, Town Manager / Town Clerk