



**“The mission of the City of Safford is to make Safford  
a great place to live, work, and visit”**

**CITY OF SAFFORD  
COUNCIL MEETING MINUTES  
Monday, December 22, 2014 @ 6:00 PM  
Safford Library Program Room, 808 S. 7<sup>th</sup> Avenue, Safford, Arizona**

**PRESENT:** Wyn “Chris” Gibbs, Mayor; Mary Bingham, Vice Mayor, Council Member’s Gene Seale, Arnold A. Lopez, Kenneth Malloque, Richard Ortega, and James D. Howes.

**STAFF PRESENT:** Horatio Skeete, City Manager; Joe Brugman, Chief of Police; Randy Petty, City Engineer; Dustin Welker, Planning and Community Development Director; Jenny Howard, Public Works Director; Terry Quest, Finance Director; Eric Buckley, Utilities Director; LeAnne McElroy, Library Director; and Georgia Luster, City Clerk. Dale Clark assisted with the audio/video recording of the meeting.

**OTHERS PRESENT:** Erik Swanson, Rex Bryce, Deanna Hardy, Terryn Hardy, Rebecca Hardy, Gary Hardy, Ida Hardy, Mikel Hardy and Steven Maxwell. Ken Showers represented Eastern Arizona Courier.

1. **WELCOME AND CALL TO ORDER:** Mayor Gibbs called the meeting to order at 6:00:12 p.m.
2. **ROLL CALL:** A quorum of the Council was present (7).
3. **PLEDGE OF ALLEGIANCE TO THE FLAG:** Mayor Gibbs led the Pledge of Allegiance to the Flag.
4. **OPENING PRAYER:** Gene Seale offered the opening prayer.
5. **NEW/OLD BUSINESS:**
  1. **Staff is recommending the City Council authorize the Mayor to execute an assignment of the FBO Agreement and the five (5) leases from Mikel Hardy and Ponderosa Aviation, Inc. to Dr. Rex Bryce, dba Ponderosa Aviation, Inc.** City Manager Skeete asked Dustin Welker, Community Development Director to address the Council regarding the assignment of the leases.

Dustin Welker explained Ponderosa Aviation has two business locations (Twin Falls, Idaho and Safford). Due to the growth of business, Mikel Hardy, President of Ponderosa Aviation is in the process of selling the Safford business to Dr. Rex Bryce. Ponderosa currently has six lease agreements with the City of Safford: 1) Fixed Base Operator Agreement a non-exclusive agreement to provide services at the Airport; H-4 Hangar Lease; C-12 Ground Lease; C-8 Ground Lease; P-12 Hangar Lease; and, H-3 Ground Lease. The lease agreements expire in 2015 up and into 2038. He concluded the discussion by stating the request tonight is to assign these leases to Dr. Rex Bryce who would be the new President and owner of Ponderosa Aviation. The current staff will remain with Ponderosa Aviation for several years. Mr. Welker stated nothing will change from a point of operations. He is confident services will continue functioning as it has in the past.

It was moved by Councilman Malloque, seconded by Vice Mayor Bingham, and carried unanimously to authorize the Mayor to execute an assignment of the FBO Agreement and five (5) leases from Mikel Hardy and Ponderosa Aviation, Inc. to Dr. Rex Bryce, dba Ponderosa Aviation, Inc. **MOTION ADOPTED**

2. **Request for the Mayor and City Council to consider adoption of Resolution Number 14-038 providing for all matters necessary for the sale and execution and delivery of an excise tax revenue refunding obligation (TAX-EXEMPT), Series 2015, evidencing all of the interests of the holder thereof in installment payments of the purchase price to be paid pursuant to an excise tax purchase agreement (TAX-EXEMPT); delegating certain authority with respect to the purposes thereof; adopting post-issuance tax compliance procedures and declaring an emergency.**
3. **Request for the Mayor and City Council to consider adoption of Resolution Number 14-039 providing for all matters necessary for the sale and execution and delivery of an excise tax revenue refunding obligation (TAXABLE), Series 2015, evidencing all of the interests of the holder thereof in installment payments of the purchase price to be paid pursuant to an excise tax purchase agreement (TAXABLE); delegating certain authority with respect to the purposes thereof and declaring an emergency.**

City Manager Skeete reviewed Items 5.2 and 5.3. He stated Resolution Number 14-038 requests authorization to refinance existing “tax exempt” loans. Resolution Number 14-039 also requests authorization to refinance additional loans. He explained the differences between the two resolutions. Some of the loans and outstanding bonds are tax-exempt. Staff is attempting to combine current taxable loans into tax exempt loans which will reduce the interest rate. He asked Terry Quest, Finance Director to introduce the item and to introduce Mark Reader, Managing Director of Stifel, Nicolaus & Company. Mr. Reader will provide a PowerPoint Presentation of Bond and Private Placement Market Update and Information in Connection with Refunding Certain Debt Obligations of the City.

Mark Reader provided a copy of the PowerPoint Presentation to the Council. He stated that he has done work for the City of Safford for many years and appreciates the opportunity of being able to present some opportunities for the City to refinance its debt. He began the presentation by reviewing the profile of the City’s debt of which the City currently has two types of outstanding debt obligations: 1) Excise Tax, Back Revenue Bonds which are the 2006 Bonds used for street improvements; and, 2) Upgrade Electric Utility Infrastructure Revenue Bonds in 2008. Those bonds were revenue bonds of the City secured by excise taxes. In addition, over a period of time, the City entered into various lease purchase financings for hangar projects at the Airport and other projects. It’s no secret out there that the bond market is currently at a very low interest rate environment, both in the mortgage market, and the bond market. He will introduce a new alternative to the Council of a new financing option called the Private Placement Market in which financial institutions have an interest in bidding on financings. Additionally, he wants to introduce the Council to a new concept – there is the possibility the City may need approximately \$7 million for a new Police facility in the future. There have been no decisions made at this time. However, he will provide an estimated schedule in the event the Council may wish to pursue. Finally, he will provide four separate scenarios, refinancing of excise taxes and lease purchases, provide a calendar and wrap up with questions. (PowerPoint Presentation attached). He reviewed the following:

Page 4: Principal Amount of Bonds Outstanding (Excise Tax Revenue Bonds).

Page 5: Various outstanding Lease Purchase Agreements. He reviewed leases, interest rate, final payment date, and estimated payoff quote. Attempting to carve out approximately \$265,000-\$275,000 that will become eligible for tax exempt status, and will bid out those on the taxable side to lower rates and save money.

Pages, 8, 9, 10 & 11:

Page 13: Characteristics of Private Placement Market. Will present an RFP to several financial institutions.

Page 15: New Public Safety/Police Facility for Consideration.

Page 18: Schedule of Pledged Revenues- provided Historical and Budgeted Excise Tax Revenues and State Shared Revenues.

Page 19: Public Policy Objectives/Goals of Restructuring.

He presented two scenarios for the City to consider: The 2006 Series, Street bonds currently (5% interest rate) are very efficient at the moment for the City to finance out.

Page 20: Economic Reasons - **Scenario 1:** Refund Series 2006A for Cash Flow Savings. Assumes 2006A Bonds (7/1/18 – 7/1/25) refunded. Scenario 1, making general assumption of a low to mid 2% interest rate and maybe better than that.

Page 21: **Scenario 2:** Refund Series 2006A Extend Debt Payment. Assumes 2006A Bonds (7/1/18 – 7/1/25) refunded. Restructure and push debt out in the low-interest environment for about four years and lower debt payment to create capacity in the event the Council pursues a Police facility.

City Manager Skeete stated he asked Mr. Reader to run Scenario 2, to provide this opportunity and flexibility to the Council so that they can explore options and make this decision rather than believing the only way

is to raise taxes. As the City considers its long-term capital program and needs, he and Chief Brugman have discussed the possibility and needed improvements to the existing police facility and/or a new police facility in an attempt to put together a new police facility without having to ask the Council to raise property tax or sales tax. This scenario reduces the City's current payments by an average of \$250,000. These savings could go towards the payment (estimated at \$500,000) for a new police facility, meaning an additional funding of approximately \$250,000 - \$300,000 on new monies will be needed to facilitate the expansion –(General fund revenues and tightening the belt a little more).

Councilman Ortega commented that he would like to consider a joint Police/Fire Station.

City Manager Skeete explained the purpose is to create the capacity allowing the Council to make that decision and to explore options as the City considers its capital needs during budget discussions.

Page 23 & 24: At this time Mr. Reader presented **Scenario 3:** Refund Certain Lease Purchase Agreements (Tax-Exempt). Assumes C-15, C-16, and H-4 leases refunded. Mr. Skeete explained the rationale of shortening these leases to five years creates the capacity to have money all year rather than spreading it out for several years.

Page 25: **Scenario 4:** Refund Certain Lease Purchase Agreements (Taxable). Assumes Lablemaster, C-13, C-14 and P-12 leases refunded.

Page 26: Mr. Reader presented a sample Combined Estimated Debt Service Requirements & Coverage. Assumes Scenarios 2, 3 and 4.

Mr. Reader reviewed Page 27, proposed draft Calendar.

December 22: City Council adopts resolutions delegating authority to City Manager & Finance Director to close refunding's assuming savings thresholds are achieved.

Week of December 29:	RFP's submitted to Financial Institutions.
Week of January 19:	RFPs due to the City, proposals evaluated and winning bidder(s) selected.
Closing:	To be determined based on pay-off notice requirements of lease purchase agreements.

Mayor Gibbs asked which Scenario staff is recommending.

City Manager Skeete stated that he recommends Scenario #2 because it extends the 2006 bonds (\$5.7 million) by extending them to 2029 from 2025. Scenario #2 creates a savings of \$63,000 over the years. However, the present value is \$320,000, but, more importantly reduces the current annual payment by approximately \$250,000 thus giving the Council an opportunity of considering to finance another capital project, like a public safety facility.

Scenario #1, would provide more savings (about \$500,000). However, he explained the payments would basically remain the same (\$850,000 year to about \$795,000 year), generate a savings of \$55,000 a year for the next ten years and eliminate the debt. However, the annual savings of \$55,000 would not be sufficient new monies over the ten years for staff to create a significant capital expenditure like a public safety facility. He stated his concern and objective is to try and make the most of the \$500,000 savings. Payments would be reduced and spread out over four years and the City would need to provide an additional \$300,000 and be able to add public safety facility. Scenario #2 would facilitate a way to fund a much needed public safety facility in the very near future without considering a tax increase. He recommends the Council authorize the resolutions with an emergency clause authorizing Scenario #2, maximizing the benefits for the city and allowing for the restructuring the debt for a maximum of four additional years. He pointed out that if the market rates are not beneficial to the City, this option would not be pursued.

Councilman Lopez asked for clarification of what pledged revenue is. Mr. Reader responded. He explained the Pledge Revenue Table, Page 26, explains the 2006 and 2008 transactions were revenue bonds of which the City pledged (state

shared revenues). Page 18: suggests the City consider with respect to the new transaction to pledge the revenues (Page 18) to increase the coverage. It does not preclude the City from using those revenues for any operating purposes.

Mr. Skeete explained the City is paying those debts at a much higher rate today out of the same revenues and out of the same budget. Pledging to make this money available reduces the interest rate by about a ½ percent. He noted the Airport loans were high because the loan document includes a one-line statement “this loan is subject to annual appropriation” which drives interest rates up. This process eliminates that and gives financial institutions more confidence that the loan will be paid.

Mr. Reader explained the resolution is a delegating resolution giving staff authority to achieve what has been described. If there are any material changes, the item would be brought back to the Council.

The City Clerk read the Title and Number of Resolution Number 14-038 and Resolution Number 14-039.

It was moved by Councilman Ortega, seconded by Councilman Howes, and carried unanimously to adopt of Resolution Number 14-038 providing for all matters necessary for the sale and execution and delivery of an excise tax revenue refunding obligation **(TAX-EXEMPT)**, Series 2015, evidencing all of the interests of the holder thereof in installment payments of the purchase price to be paid pursuant to an excise tax purchase agreement **(TAX-EXEMPT)**; delegating certain authority with respect to the purposes thereof; adopting post-issuance tax compliance procedures and declaring an emergency. **MOTION ADOPTED**

It was moved by Councilman Ortega, seconded by Councilman Malloque, and carried unanimously to approve and adopt Resolution Number 14-039 providing for all matters necessary for the sale and execution and delivery of an excise tax revenue refunding obligation **(TAXABLE)**, Series 2015, evidencing all of the interests of the holder thereof in installment payments of the purchase price to be paid pursuant to an excise tax purchase agreement **(TAXABLE)**; delegating certain authority with respect to the purposes thereof and declaring an emergency. **MOTION ADOPTED**

**Mr. Reader left the meeting at this time. 7:07:06 p.m.**

- 6. MEETINGS/ACTIVITIES HELD OR TO BE HELD BY COUNCIL OR CITY STAFF: NONE**
- 7. COUNCIL OR STAFF REQUESTS FOR AGENDA ITEMS: NONE**
- 8. FUTURE MEETINGS/ANNOUNCEMENTS:**

- Wednesday, December 24, 2014 Close at noon for Christmas Holiday
- Thursday, December 25, 2014 Christmas Day Holiday
- Thursday, January 1, 2015, New Year's Day Holiday
- Monday, January 12, 2015, Regular Council Meeting
- Tentative: Council Retreat - January 15 & 16, 2015 or January 22, 23, 2015
- Monday, January 19, 2015 Martin Luther King Holiday
- Monday, January 26, 2015, Council Work Session

City Manager Skeete asked the Council to consider a date to hold a Council Retreat for Council and Staff to begin discussing and considering long term plans that may be discussed during the budget process. He recommends all Council attend. Council will contact Mr. Skeete with a date.

- 9. ADJOURN:** It was moved by Councilman Ortega, seconded by Vice Mayor Bingham, and carried unanimously to adjourn the meeting at 7:13:35 p.m. **MOTION ADOPTED**

APPROVED:

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Wyn "Chris" Gibbs, Mayor  
City of Safford

ATTEST:

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Georgia Luster, MMC  
City Clerk

STATE OF ARIZONA     )  
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County of Graham     )

CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the Special Council Meeting Minutes of the Safford City Council, Graham County, Arizona held Monday, December 22, 2014, and approved at a Regular Council Meeting on Monday, January 12, 2015. I further certify the meeting was duly called, held and that a quorum was present.

January 12, 2015 \_\_\_\_\_  
Date:

\_\_\_\_\_  
Georgia Luster, MMC, City Clerk