

AGENDA

AGENDA OF THE WORK SESSIONS OF THE MAYOR AND COUNCIL OF THE CITY OF BISBEE, COUNTY OF COCHISE, STATE OF ARIZONA, TO BE HELD ON TUESDAY, MAY 1, 2018, AT 5:30PM IN THE COCHISE COUNTY BOARD OF SUPERVISORS HEARING ROOM, 1415 MELODY LANE, BUILDING G, BISBEE, ARIZONA.

THE MEETING WAS CALLED TO ORDER BY _____ AT _____ PM.

ROLL CALL

COUNCIL

Councilmember Anna Cline, Ward III
Councilmember Joan Hansen, Ward II
Councilmember Frank Davis, Ward I
Mayor David M. Smith
Councilmember Bill Higgins, Ward I
Councilmember Douglas Dunn, Ward II , Mayor Pro Tempore
Councilmember Gabe Lindstrom, Ward III

STAFF

Robert E. Smith, City Manager
Ashlee Coronado, City Clerk
Keri Bagley, Finance Director
Dan Duchon, Personnel Director
Andy Haratyk, Public Works Director
Albert Echave, Police Chief
George Castillo, Fire Chief

CITY ATTORNEY

Britt Hanson

THE FOLLOWING ITEM WILL BE DISCUSSED AND/OR CONSIDERED AT THESE MEETINGS:

1. Presentation by Mark Reader (Stifel) on Bisbee debt structure and possible opportunities to Re-Structure debt to free up city cashflow for use on PSPRS Liability.
Robert Smith, City Manager
2. Presentation on County-wide water matters update to the City Council, potential agreement between the County and City of Bisbee for an option to purchase effluent, and potential representation by the Cochise County Attorney's Office related to possible effluent option agreement.
Britt Hanson and Sara Ransom, Cochise County Attorney Office

ADJOURNMENT

Individuals with hearing disabilities can contact the City Clerk's Office (520) 432-6012 to request an Assisted Listening Device, at least 24 hours before the meeting.

Anyone needing special accommodation to attend this meeting should contact Ashlee Coronado at (520) 432-6012 at least twenty-four hours before the meeting.

Public documents referred to herein may be viewed during regular business hours at the City Clerk's Office at 1415 Melody Lane Bldg. G., Bisbee.

Pursuant to A.R.S. § 38-431.03(A) (3), the Council may vote to enter executive session at any point during this meeting for discussion or consultation for legal advice with its attorney(s), who may appear telephonically.



MAYOR & COUNCIL WORK SESSION FOR May 1, 2018

DATE ACTION SUBMITTED: April 25, 2018

DISCUSSION/PRESENTATION ONLY

SUBJECT: PRESENTATION BY MARK READER (STIFEL) ON BISBEE DEBT STRUCTURE AND POSSIBLE OPPORTUNITIES TO RE-STRUCTURE DEBT TO FREE UP CITY CASHFLOW FOR USE ON PSPRS LIABILITY.

FROM: Robert Smith, City Manager

RECOMMENDATION:

PROPOSED MOTION: WORK SESSION ONLY

DISCUSSION:

Currently the City pays \$1.2M per year to fund the current police and fire retirement pools and pay back the \$17M unfunded liability associated with the City's PSPRS retirement program. This liability has been amortized out over 29 years -- that means that the City won't have its assets in the program fully funded for almost a generation. Those assets are what generate income in the program, and by not having our assets fully funded, we know that the program won't grow like it should to cover future retirements. Bottom line is that without fully funded assets, we could meet with a rough growth year for our investments in that pool, and wind up owing even more. The sooner we fund our assets, the more stable our future will be, and the smaller the surprises we will see coming out of PSPRS.

It may be possible to restructure some of the City's existing debt, which would lower the City's payments on that debt. The cash left in hand from that reduction could be applied to the PSPRS unfunded liability increasing our funded assets to about 30% in 6 - 7 years, rather than 20 years under the existing schedule.

Mark Reader, working with Stifel, can develop a proposal to achieve the above and bring it to Council for formal action if Council chooses to pursue this approach to managing the PSPRS liability.

FISCAL IMPACT: NA

DEPARTMENT LINE ITEM ACCOUNT: NA

BALANCE IN LINE ITEM IF APPROVED: NA

Prepared by: Robert Smith
 Robert Smith, City Manager

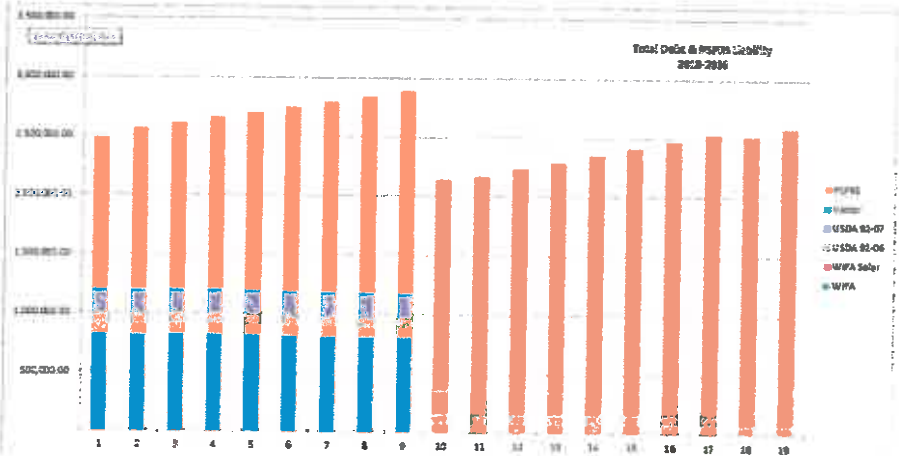
Reviewed by: Ashlee Coronado
 Ashlee Coronado, City Clerk

Monday, April 23, 2018
To: Council
Fr: RES
Re: Debt Restructuring

Council – In our study session May 1, Mark Reader, a financial advisor with Stifel, will present some thoughts about the City’s current debt structure, and actions Council might take to reduce some payments across the next 5 -7 years. Currently, the City has about 1.2M in regular debt (for infrastructure and the like) and is paying about 1.2M per year to fund the PSPRS liability that we amortized over 30 years. Total, we have about 2.5M in annual cost for both combined.

A reduction in payments on some of our debt would enable the City to redirect those monies toward the PSPRS liability (about \$18M now). By paying our 1.2M annual payment, and then paying a little more each year (say 600K), we may accelerate the funding of our assets in the program – and those assets are what generate income to pay future years’ costs. By funding our assets in the program to 30% over a 6 year period, we will cut about 15 years off the 29 year amortization – that means that we will have assets in the program working for us to generate revenue to offset future retirement costs.

Bisbee, AZ Fiscal Planning Is Needed



PSPRS costs are projected to increase, and we need assets working to generate revenues to offset the effects of that growth, as well as to overcome negative years when investment growth may be dismal. Without assets on hand, a bad investment year could generate additional costs that we would not have the cash on hand to defray.

I have Nick Ponder (League representative) as well as actuarial folks at PSPRS working to model the strategy outlined above and hope to have figures for you soon, related to what effect we might achieve if our WIFA and USDA debt were restructured, and additional payments were made to PSPRS to increase our funded assets. I believe an aggressive move now, on the leading edge of the PSPRS payment schedule, will pay off for the City within the next 10 years and leave the administration in a much more sustainable financial position, effectively cutting our amortization schedule in half.



MAYOR & COUNCIL WORK SESSION FOR May 1, 2018

DATE ACTION SUBMITTED: April 26, 2018

DISCUSSION/PRESENTATION ONLY

SUBJECT: Presentation on County-wide water matters update to the City Council, potential agreement between the County and City of Bisbee for an option to purchase effluent, and potential representation by the Cochise County Attorney's Office related to possible effluent option agreement.

FROM: Britt Hanson and Sara Ransom, Cochise County Attorney's Office

RECOMMENDATION:

PROPOSED MOTION: WORK SESSION ONLY

DISCUSSION:

Update to City Council regarding the San Pedro Riparian National Conservation Area ("SPRNCA") contested matter and Cochise Conservation and Recharge Network ("CCRN") projects, including discussion of a potential agreement between the County and City of Bisbee for an option to purchase effluent for use in a CCRN project and potential engagement of the Cochise County Attorney's Office, in its capacity as City Attorney, to jointly represent the County and City of Bisbee related to the potential agreement. The City Council may enter executive session pursuant to A.R.S. § 38-431.03(3) & (4) to allow the County Attorney's Office, in its capacity as City Attorney, to provide attorney-client privileged disclosures and advice for the City Council's consideration related to the potential engagement.

FISCAL IMPACT: NA

DEPARTMENT LINE ITEM ACCOUNT: NA

BALANCE IN LINE ITEM IF APPROVED: NA

Prepared by: /s/ Sara Ransom
 Sara Ransom,
 Cochise County Attorney

Reviewed by: Ashlee Coronado
 Ashlee Coronado
 City Clerk