



MINUTES REGULAR MEETING  
CITY COUNCIL CHAMBERS  
448 E. 1<sup>st</sup> Street

Salida, Colorado

June 7, 2011

6:00 p.m.

The meeting was called to order at 6:00 p.m.

**PLEDGE OF ALLEGIANCE –**

Led by Mayor Pro-tem Tom Yerkey

**ROLL CALL -**

Present at roll call were Mayor Pro-tem Tom Yerkey and Council Members Keith Baker, Scott Damman, Jim McCormick, Jay Moore and Steven Stewart. Also present were City Treasurer Eileen Rogers, City Clerk Betty Schwitzer, City Administrator Jack Lewis, Deputy City Clerk Janella Martinez and City Attorney Karl Hanlon.

Absent was Mayor Chuck Rose.

**CITIZEN PARTICIPATION -**

Jim Miller, has some comments about the sign on Hwy 50 and F Street that was discussed during the morning work session. Administrator Lewis will talk about this item during his report.

**PRESENTATION –**

**SCHEDULED ITEMS-**

**1. Consent Agenda –**

- a. Approval of Agenda
- b. Approval of Minutes: Special Meeting Minutes April 12, 2011
- c. City Property Requests:
- d. Special Events Liquor Permits: 1.) Salida Rotary 4<sup>th</sup> of July

Deputy City Clerk, Janella Martinez, presented written materials that are included in the packet for the record.

1.) Salida Rotary Club Charitable Fund dba Salida Rotary Club is requesting a Special Events Liquor Permit in Riverside Park on Monday, July 4, 2011 from 10:00 a.m. to 10:00 p.m.

The Salida Business Alliance request for park use and street closures was approved during your May

17, 2011 meeting. The Salida Rotary Club will be selling food and alcohol during this event.

The public notice was posted on May 20, 2011. To date no public comments have been received.

Baker made a motion to remove 4. Citizen appointment to the Planning Commission – Resolution 2011- 36 approving appointment to the Planning Commission from the agenda, and combining and approving the items on the consent agenda. The motion was seconded by Moore. With all in consensus, THE MOTION CARRIED.

## **2. Acceptance of the 2010 Audit- Johnson, Holscher, & Co. (Jan Schmidt)**

Jan Schmidt, Finance Director presented written materials that are included in the packet for the record. Mr. Dean Johnson of Johnson, Holscher & Company, PC., attended the last council meeting and briefly presented the results of the audit. At that time, the two final sections needed to complete the annual audit report had not been distributed. The final report Council received included those two sections, which are Management's Discussion and Analysis and the Local Highway Finance Report.

The City's independent auditor presented the audit opinion and a draft of the financial statements at the last meeting. A bound copy of the financial statements that include management's discussion and analysis of the financial statements and the local highway finance report was distributed to Council Members prior to tonight's meeting.

Ms. Schmidt gave a summary of the City's financial position.

The City's finances are divided into separate funds. The resources and spending within each fund is kept separate from that of other funds. In 2010, the financial picture was not consistently positive for each fund.

The main government fund is the general fund. This includes the city government activities that are not separated as a business-type activity or special fund. This includes activities like police, fire, streets, recreation, planning and general administration.

The City added nearly \$270,000 to General Fund reserves in 2010. This was significant for a year when economic conditions were weak overall and sales tax revenue declined. The City was able to add to general fund reserves last year by not replacing some employees who left during the year, cutting out the raises that had been budgeted and cutting or deferring some capital spending.

The water and wastewater enterprise fund is managed essentially as two separate businesses. Revenue generated from providing water is used to pay for that service. Revenue generated from treating waste is used to pay for operations of the wastewater plant and associated infrastructure.

The water fund ran out of money in 2010. City staff and Council have talked a lot about this in connection with raises rates. The amount of revenue coming into this fund was not sufficient to meet the debt service, capital and operating obligations. On the statement of revenue, expense and changes in net assets on pg 8, you will see a loss of over \$135,000. To meet cash flow obligations in 2010, the water fund borrowed \$250,000 from the sewer reserves. With the recent increase in rates, staff plans to slowly fix the financial troubles for our water operations.

Sewer operations are generating a surplus. This has happened for the past several years in anticipation of the money needed to pay for the treatment plant upgrade so we can meet regulatory requirements of the effluent put back into the Arkansas River. On the statement of revenue, expense and changes in net assets on page 8, you will see a loss of over \$465,000. Cash reserves of \$2.1 million look healthy but will go fast once construction starts.

The SteamPlant was also set up as an Enterprise Fund for accounting purposes, although it is disqualified under TABOR because of the general fund subsidy it currently receives. The SteamPlant shows a loss of \$53,000 even after the general fund subsidy it received last year of about \$88,000.

Finally, the Conservation Trust Fund shows about \$6,000 more in spending than the amount of revenue received last year.

The City's net assets increased by \$1,851,000 (6.3%) during 2010. This was despite overall weak economic conditions and a 1.3% decrease in taxable sales reported within the City. The sales tax trends improved in the later part of the year and a modest improvement in development related revenue was realized in comparison to 2009.

Total assets on Salida's Statement of Net Assets were \$38,272,000, which exceeded liabilities by \$31,059,000 at the end of 2010. The \$1,851,000 increase in net assets during 2010 was primarily driven by grant and other revenues that the City invested in capital assets. In addition, the City deferred capital spending and reduced operating expenses due to economic uncertainties, which also improved general fund equity.

Unrestricted net assets of \$4,664,000 as of December 31, 2010 were available to meet the City's future obligations to citizens, employees and creditors:

- For government activities - \$2,230,000, an increase of \$501,000 (29.0%)
- For business-type activities - \$2,434,000, a decrease of \$374,000 (13.3%)
- The unreserved fund balances were 53.4% and 143.8% of the 2011 operating expenditures budget for government and business-type activities, respectively.

As of December 31, 2010 the total fund equity for governmental activities was \$2,994,000, of which \$157,000 was in the Conservation Trust Fund. The total increase in the governmental fund balance during 2010 was \$263,000 (9.6%). Because the government fund balance sheet excludes the value of capital assets, a different financial result is reflected when compared to the Statement of Net Assets (discussed above) for the same period of time.

Total cash and investments were \$4,459,000, of which \$2,965,000 was unrestricted. Of that amount, \$804,000 was available for general government activities and \$2,161,000 was held in funds for business-type activities. Funds designated by council for specific uses are included in unrestricted cash and investments.

Within the business-type activities of the City, unrestricted funds available for water operations were depleted in 2010 to pay for current capital projects and meet debt service requirements. An "intra-fund" loan from sewer reserves was utilized for cash flow needs pending the closing of an approved loan and increase in water rates in 2011.

In total, cash and investments balances decreased \$49,000 during 2010. Debt service required \$1,041,000, of which \$702,000 was repayment of principal. The City invested \$3,120,000 in capital assets, most significantly the wastewater treatment facility upgrade, renovation of municipal facilities and largely grant-funded recreation assets.

The Management Discussion & Analysis serves as an introduction to Salida's basic financial statements, which are comprised of three components:

- 1) Government-wide financial statements
- 2) Fund financial statements
  - a. Governmental Funds
  - b. Proprietary Funds
- 3) Notes to the financial statements
- 4) Supplementary information

Staff recommends that council accept the report.

Damman made a motion to accept the report from Johnson, Holscher & Company, P.C., the independent accounting firm that completed an audit of the basic financial statements of the City of Salida, Colorado for the year ended December 31, 2010. Stewart seconded the motion. With all in consensus, THE MOTION CARRIED.

3. **Veazey Encroachment License Agreement** – (Dara MacDonald)  
Resolution 2011-35 approving a License to Encroach Agreement for the Veazey Building at 129 N. G Street.

Dara MacDonald, Community Development Director, presented written information that is included in the packet for the record. The request is to pass a Resolution approving a License to Encroach Agreement with Wade and Blake Veazey for the existing building at 129 N. G Street. The area of encroachment is described in the legal description that is included in the packet.

The applicants have received a Certificate of Approval for improvements to the building, however those improvements will not affect the existing encroachment. Staff recommends that the encroachment license be executed now while other permitting is occurring. Ms. MacDonald said this building is also known as the Ice House. The Veazey brothers were present this evening to answer any questions from Council.

Damman made a motion to pass RESOLUTION 2011-35 A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SALIDA, COLORADO, AUTHORIZING THE MAYOR TO SIGN A LICENSE TO ENCROACH AGREEMENT WITH WADE VEAZEY AND BLAKE VEAZEY. Moore seconded the motion. With all in consensus, THE MOTION CARRIED.

4. **Approve and Award Contract for the Poncha Hot Springs Gradient Temperature Drilling Project** –

Resolution 2011- 37 authorizing the City Administrator to enter into a Construction Services Agreement between the City of Salida and American Drilling Service.

Administrator, Jack Lewis, presented written materials that are included in the packet for the record.

The request is to award the bid of the 2011 Poncha Hot Springs Thermal Gradient Drilling Project bid and to approve the contract for construction services with American Drilling Service.

For many years the Poncha Hot Springs has provided a source of enjoyment for those living and visiting this beautiful valley. For almost as many years there has been talk of the potential of the hot springs. The City was fortunate enough to be given a grant to explore at least one potential, Geothermal energy. That grant gives the City the ability to drill a series of test holes to get a better idea of the possible temperature of the hot springs source. These test holes will provide us a glance at what is underneath the ground and whether a depth project is in order. The holes have been carefully selected by experts and again verified by the bidding contractors. Project scope was to drill up to five test holes approximately 250 feet deep. Then the contractor will install a small diameter pipe into the well casing to allow temperature monitoring. The project was bid in May with an opening date of May 25<sup>th</sup>. There were three (3) qualified bidders. The high bid was \$63,000 and the low bid was for \$47,437.32. This low bid belonged to American Drilling. After review it is staff's recommendation to award the bid to American Drilling Service for a sum not to exceed \$47,437.32 (Forty-seven Thousand Four Hundred Thirty-seven Dollars and 32 cents).

Administrator Lewis said that the low bid came in higher than what the City has budgeted based on the available grant. He requested that Council include in the motion to authorize the City Administrator to negotiate with the apparent low bidder in order to match the budget provided from the grant. It might mean drilling only three or four holes instead of the five test holes included in the grant.

A map that shows the progress of the Geothermal Study at the hot springs site was distributed to Council Members and is included in the packet. The areas on the map shown in green depict the source of the water. There are four stars that indicate where to do the drilling. The site on the far corner of the map, on the Farrow property, will more than likely be the one taken out if needed to negotiate costs. Administrator Lewis hopes to keep four sites in the study.

Moore made a motion to approve RESOLUTION 2011-37 A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SALIDA, COLORADO, AWARDING THE BID OF THE 2011 PONCHA HOT SPRINGS THERMAL GRADIENT DRILLING PROJECT AND TO APPROVE THE CITY ADMINISTRATOR TO ENTER INTO A CONSTRUCTION SERVICES AGREEMENT WITH AMERICAN DRILLING SERVICE FOR THE PONCHA HOT SPRINGS THERMAL GRADIENT DRILLING PROJECT, and allowing the City Administrator to further negotiate with American Drilling Services for a cost that is closer to the granted amount. Damman seconded the motion. With all in consensus, THE MOTION CARRIED.

**5. Medical Marijuana Moratorium extension – (Karl Hanlon)**

Ordinance 2011-12 an Emergency Ordinance of the City Council of the City of Salida, Colorado imposing a Temporary Moratorium on the acceptance, processing, and approval of any application for the Transfer of a Licensed Medical Marijuana Business into the city through June 30, 2012.

City Attorney, Karl Hanlon reminded those present at the last meeting that Council adopted final regulations for the city. City Council requested an emergency ordinance to impose a temporary moratorium on the acceptance, processing, and approval of any application for the Transfer of a

Licensed Medical Marijuana Business into the city through June 30, 2012.

This ordinance will prevent a Medical Marijuana Center to Transfer their business from a jurisdiction that banned medical marijuana to relocate in Salida.

Baker made a motion to approve ORDINANCE 2011-12 AN EMERGENCY ORDINANCE OF THE CITY COUNCIL OF THE CITY OF SALIDA, COLORADO IMPOSING A TEMPORARY MORATORIUM ON THE ACCEPTANCE, PROCESSING, AND APPROVAL OF ANY APPLICATION FOR THE TRANSFER OF A LICENSED MEDICAL MARIJUANA BUSINESS INTO THE CITY THROUGH JUNE 30, 2012, ordering the ordinance be published in full and second reading and a public hearing on June 21, 2011. Damman seconded the motion. With all in consensus, THE MOTION CARRIED.

## **6. Administrator/City Attorney/Deputy City Clerk**

### **a. Administrator's Report –**

Theresa Casey, Recreation Manager, gave an update on the Phase 3 Hot Waterline Project that completes replacing sections of the hot waterline from the source at Poncha Hot Springs down Highway 50 to the Salida Aquatics Center. The project is complete; bringing the current temperature reading to 113.5°. Three years ago our engineer was asked by a Council Member what kind of temperatures the City would get out of this project when completed. The engineer estimated the water would come in at 112°-113. On average the readings have shown a 19° increase in temperatures since the final phase was completed. The small pool is kept at about 98°, while the lap pool is kept in the low 80's.

Ms. Casey thanked Public Works employees Kevin Nelson and Public Work's Director Rob Vance for their assistance with reading temperatures and making sure everything got done in a timely matter.

Administrator Lewis requested a motion by Council for a sign request by Salida Business Alliance at Hwy 50 and F Street. During a previous morning work session a proposal came to Council to have the words "Art District" added below the current sign reading Historic Downtown Salida on an Arrow pointing to F Street. Administration encouraged this individual to coordinate efforts with the Salida Business Alliance. Vickie Sue Vigil, President of the Salida Business Alliance, is requesting to add "Art, Shop, Riverwalk" to the sign.

Jim Miller said at the work session this morning he understood that the board would be installed on one side of the sign posts and would not be visible from both sides and if the lettering was only 2" in diameter it won't be visible by highway traffic. A brief discussion followed about whether or not lettering of that size would be visible from the Highway. Administrator Lewis said a Resolution was distributed for Council review at the beginning of the meeting.

Damman made a motion to approve the application for the addition of a 2" x 12" x 12' sign reading "Art, Shop, Riverwalk" on the existing wayfinding sign at the corner of Hwy 50 and F Street based on a finding that the sign promotes a legitimate and necessary public interest in wayfinding and the economic vitality of the downtown commercial district. The motion was seconded by Moore. With all in consensus, THE MOTION CARRIED.

- b. City Attorney Report – Karp, Neu, Hanlon PC

City Attorney, Karl Hanlon, had nothing to report.

- c. Deputy City Clerk -

Deputy Clerk, Janella Martinez, had nothing to report.

12. Elected Official Reports -


- a. Treasurer-

City Treasurer Eileen Rogers, had nothing to report

- b. Mayor –

It was noted that Councilor Moore will be appointed a Director in the Upper Arkansas Water Conservancy District during their regular meeting Thursday, June 9, 2011. Council Members congratulated Moore.

A motion was made by Moore to adjourn the meeting at 6:32 p.m. The motion was seconded by Damman. With all in consensus, THE MOTION CARRIED.

  
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Mayor

[SEAL]

  
Deputy City Clerk  
Respectfully submitted by Janella Martinez, Deputy City Clerk