MINUTES OF THE STUDY SESSION
OF THE TOWN COUNCIL OF THE TOWN OF CHINO VALLEY

THURSDAY, MARCH 3, 2011
6:00 PM

The Town Council of the Town of Chino Valley, Arizona met for a Study Session in the Chino Valley Council Chambers, located at 202 N. State Route 89, Chino Valley, Arizona, on Thursday, March 3, 2011.

Mayor Bunker called the meeting to order at 6:00 p.m.

Council Present: Mayor Jim Bunker, Vice-Mayor Ron Romley, and Councilmembers Dean Echols, Linda Hatch, and Carl Tenney.

Council Absent: Councilmembers Joel Baker and Gloria Moore.

Staff Present: Town Manager Michael Scannell, Finance Director Vera Smith, Police Commander Mark Garcia, Development Services Director Pat Clingman, Code Enforcement Officer Mike Bovée, and Town Clerk Jami Lewis (recorder).

2) Presentation by staff and discussion regarding draft revisions to the Unified Development Ordinance relative to the Arizona **Medical Marijuana** Act.

Acronym used in this item:
UDO (Unified Development Ordinance)

Code Enforcement Officer Mike Bovee reviewed draft revisions to the UDO relating to the Arizona Medical Marijuana Act. Key points were:

- The language for the subject zoning regulations came from a model ordinance drafted by the League of Arizona Cities and Towns.
- Town Attorney Tom Kack was recommending that dispensaries be located in Commercial Light zoning along with other retail, which would grant good visibility for police personnel.
- Staff was generally recommending a 300 foot minimum distance requirement from dispensaries to schools, while neighboring municipalities were looking at 500 foot distances.
- Cultivation and dispensary provisions were to be separated per the law, and Mr. Kack had added a separate portion relating to infusion, the process to make the plant edible.

Development Services Director Pat Clingman added that after obtaining Council's comments, staff would take these amendments through the Planning and Zoning Commission public hearing process and then bring it back to Council as an ordinance.

Public comment was as follows:

Chris Marley, resident, expressed concern about dispensaries being an attractive nuisance and providing temptation for smash and grabs. Mr. Bovee and Police Commander Garcia stated that location would not affect criminal activity and the law included stringent security requirements.

Cherie Romley, resident, asked if a caregiver could grow the plant for a client who used it. Mr. Bovee related that a caregiver might be able to grow it if the client was 25 miles from a dispensary. Councilmember Hatch added that growers and dispensaries were to be limited and licensed.

Council discussed the draft UDO revisions. They asked about the Town having this zoning in place in time, since the lottery winners would only have so much time to start their businesses. Ms. Clingman stated that the Town risked discrepancies in its regulations by acting too soon, as the State's interpretation was still changing and the dispensing districts had not yet been decided.

Council asked staff to:

- Consider increasing all the distance requirements to 500 feet to be consistent with the region.
- Consider adding provisions for caregivers, as recommended by the Director of Health Services, and finding out how other entities were addressing the same.
- Provide a zoning map, so Council could see where these facilities would be permitted.
- Provide an explanation for why the proposed cultivation provisions were so much shorter and infusion regulations were different from the League's model.

They also stated that they preferred to stick to the League's model as much as possible.

3) Presentation by staff and discussion regarding the fiscal year **2011/2012 budget**.

Acronyms used in this item:
FY (Fiscal Year)
GF (General Fund)
YCT (Yavapai Combined Trust)

Finance Director Vera Smith presented an overview of revenue sources in the Town's general fund, a six-year comparison of actual revenues, percentages of budgeted revenues and expenditures for FY 2010/2011, and anticipated changes for FY 2011/2012 with regard to revenues, and employee insurance and retirement costs. Key points were:

<u>GF major revenue sources</u>

- The GF total budget for FY 2010/2011 was $5.93 million, excluding carry forward and transfers.
- Town sales tax revenues were 39% of GF revenue sources; state shared revenues were 46%; and the other 15% of GF revenues came from franchise taxes, charges for services, fines and forfeitures, and licenses and permits.

- State shared revenues were based on actual collections and divvied across the state by population. The above percentages demonstrated that the Town was heavily dependent upon revenues over which it had no control.

GF revenue trends

- Some revenues began going into decline in FY 2004/2005, with all revenues being in decline as FY 2008/2009, except for those from franchise taxes, which had remained level since FY 2006/2007.
- Most revenues were currently coming in at levels lower than those of FY 2004/2005.
- Most municipalities did not include construction sales tax in the GF, so the town was ratcheting down its inclusion each year.

Council asked about revenues from the recently-established traffic case processing fee. Ms. Smith stated that it was not bringing in the anticipated revenue and she did not intend to increase it in the revenue budget.

FY 2010/2011 general fund budgeted revenues

2% town sales tax	36%	Licenses & permits	3%
State shared income tax	20%	2% construction sales tax	3%
State shared sales tax	15%	Franchise taxes	2%
Vehicle license tax	11%	Charges for services	2%
Other intergovernmental	4%	Other sources	1%
Fines & forfeitures	3%		

FY 2010/2011 general fund budgeted expenditures by department

Public Safety	Police, Animal Control, Dispatch	39%
Community Services	Library, Aquatics, Parks, Recreation, Senior Center	18%
Administrative Services	Human Resources, Finance, Town Clerk, MIS	10%
Public Works	Administration, Engineering, Facilities and Vehicle Maintenance	10%
Non-departmental	Legal, Liability/Property Insurance, Outside Agency funding	8%
Development Services	Planning, Building, Code Enforcement, GIS	6%
Municipal Court & Prosecutor		6%
Town Management	Town Manager and Council	3%

Council asked which department was most impacted by rising gas prices. Ms. Smith stated that gas and oil for all departments and divisions, except for those in the HURF and Water and Sewer Enterprise budgets, came out of a budget line under Public Works.

FY 2011/2012 anticipated GF revenue changes

State shared income tax	8% decrease	$ 95,956
State shared sales tax	5.1% decrease	$ 45,000
Vehicle license tax	8% decrease	$ 54,000
New ADWR assessment	Decrease of:	$ 16,274
Town sales tax revenues	1.7% decrease due to less construction sales tax	$ 40,000
	Anticipated Total Revenue Decrease	$251,230

As state shared sales tax and vehicle license tax revenues were hard to anticipate, staff had estimated them lower than early projections, but it could get worse. Staff hoped to receive the estimates in April, depending upon the legislature, and in the meantime, staff was working up some ideas for how to deal with revenue declines.

FY 2011/2012 anticipated GF expenditure changes

Health Insurance (Yavapai Combined Trust (YCT))	8.1% increase for employer and employee
State Unemployment Tax	.26% increase for employer
Arizona State Retirement System	.9% increase for employer and employee—both employer and employee costs were equal and this cost had increased every year since FY 2005/2006.
Public Safety Retirement System	These rates, for which the employee and employer costs were not equal, were not yet finalized, but indications were that they could increase—this had not changed in 6 years for the employee, but had risen dramatically for the employer.

Council desired to have some input to the YCT for the next FY, as last year, it was too late by the time they were informed about rate increases and other changes to the coverage. They asked about the level of coverage, how the proposed costs could be challenged, staff looking at other plans, and staff providing more details and comparisons with other plans or coverages. Even though they did not prefer to take anything more from the employees, they wanted to see these options to complete their due diligence.

Town Manager Michael Scannell and Ms. Smith related that:

- The YCT board was currently discussing its rates and coverages for the next fiscal year and the number presented tonight was not firm. The Town did not have much option with regard to the renewal rate, as it was determined by the market. The Town's representative on the Trust Board, Management Assistant Cecilia Watts, would be meeting with Council soon in executive session to discuss all possible options.
- Council could modify the Town's coverage percentages, but he was not advocating it and Council did not have the option to limit employees to the basic plan, as that would not cover the Town's proportionate cost in the Trust.

- It would take two to three years to research other plans, as well as fulfill the Town's obligations to the Trust, phase out of it, and remit the costs of exiting. In examining the Trust's actuaries' report and expenditures, staff found that it was still a good plan in that it had broad base representation and its members all had same concerns. In addition, the Town would not be well received in the marketplace due to its small size and YCT had made an exception to include it.

Mr. Scannell told Council that although the employees had struggled for years with a 10% wage cut and four years without any wage increases, and the Town might be dealing with a $500,000 shortfall, he and Ms. Smith hoped to offer some semblance of order and reasonable respect for the employees and service delivery system, and he did not want the employees to be first in the bullseye.

A couple Councilmembers commented that they believed that the Trust was still a good deal for the Town and they would be hesitant to change it. In general, Council asked staff to provide a comparison between the Town's current plan and other plans, as well as options for the Town's contributions.

4) Adjournment.

Vice-Mayor Romley MOVED, seconded by Councilmember Hatch, to adjourn the meeting. The motion PASSED unanimously 5-0 at 7:33 p.m.

Jim Bunker

Jim Bunker, Mayor

ATTEST:

Jami C. Lewis

Jami C. Lewis, Town Clerk

CERTIFICATION:

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Study Session of the Town Council of the Town of Chino Valley, Arizona held on the 3rd day of March, 2011. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this 10th day of May, 2011.

Jami C. Lewis

Jami C. Lewis, Town Clerk