MINUTES OF THE BUDGET RETREAT/SPECIAL MEETING OF THE TOWN COUNCIL OF THE TOWN OF CHINO VALLEY

TUESDAY, MARCH 16, 2021
1:00 P.M.

CHINO VALLEY COUNCIL CHAMBERS
202 N. STATE ROUTE 89, CHINO VALLEY, AZ

1) CALL TO ORDER; ROLL CALL

Present: Mayor Jack Miller; Vice-Mayor Corey Mendoza; Councilmember Tom Armstrong; Councilmember Eric Granillo; Councilmember Cloyce Kelly; Councilmember Annie Perkins

Absent: Councilmember Lon Turner

Staff Present: Town Manager Cindy Blackmore; Town Attorney Andrew McGuire (remotely); Finance Director Joe Duffy; Police Chief Chuck Wynn; Public Works Director/Town Engineer Frank Marbury; Development Services Director Joshua Cook; Community Services Director Scott Bruner; Economic Development Project Manager Maggie Tidaback; Lieutenant Joshua McIntire; Lieutenant Randy Chapman; IT Manager Spencer Guest (Videographer); Audio Video Technician Laurence Digges (Videographer); Town Clerk Erin Deskins (recorder)

Mayor Miller called the meeting to order at 1:13 p.m.

2) Consideration and discussion regarding fiscal year 2021/2022 Town Budget. (Joe Duffy, Administrative Services Director)

Cindy Blackmore began the meeting by explaining the format of the meeting to the Council and introducing Administrative Services Director Joe Duffy, who would be presenting information for the annual budget retreat meeting.

Joe Duffy presented the following:

- Staff looked at a snapshot of where the Town currently was financially and projected revenues through the end of June 30, 2021. He did not have the State Shared Revenues, which would be available some time in March. He also did not have department requests, but departments were putting their data requests together. The snapshot would change through the budget process.
- Overall, the revenues had been strong even though last year it was unclear where the Town would be at year's end. Town had made cutbacks and was very conservative about revenue estimates. The State Shared Revenues were stronger than originally projected.
- The sales tax revenues had gone up 20% year to date, which equated to over $1 million. The Town was doing better than they had the previous year with community retail sales. This was due to people staying home and shopping locally. There was also an increase in online sales.
- There was strong home construction sales tax activity, which was one of the Town's

largest revenues. This was also adding to the water and sewer fund accounts.

- There were several major projects planned within the Town that included new apartments, subdivisions and new retail businesses coming.
- Staff made charts to visually break out future fiscal years' revenue and expenditures that showed projections for ongoing expenses and revenues as well as one-time revenues and expenses.

General Fund Overview

- The chart's gold bar represented ongoing revenues collected annually, which included state sales tax, state shared revenues, recreation fees, etc.
- One-time revenues, represented by a green bar, included the construction sales tax and building permit. Only half the revenue was represented because even if the economy was weak, they would still collect some revenue from these sources.
- The general fund revenues were fairly stable year by year.
- The gold bar represented the fund balance less the reserve. It was the money the Town had in the bank year by year, and the red reserves line represented the amount that the Town was required to have. The gold bar represented the money the Town could spend on one-time items such as capital improvement projects. The reserves were 25% of the Towns annual expenditures, and the Town's policy was not to spend the reserve funds.
- The blue bar represented the Town's ongoing annual expenses, which included salaries, electric, utilities, etc. The ongoing revenue needed to be higher than the ongoing expenses.
- One-time expenditures were represented by a gray bar. There were currently very few one-time expenditures because department requests had not yet been received for the upcoming year. Staff anticipated that once all the department requests had been received, the one-time gray expenditure bar would go into the reserves. The Council would determine how much they wanted to budget for these items and what types of things they wanted to fund.
- In order to have a structured balanced budget, the Town needed to stay within normal parameters, but because the reserves were so strong, that money could be used for some of those department requests.

HURF Fund Overview

- The CARES Act funding was represented by a green bar. The gray bar showed onetime expenditures, which was for Road 2 North and road maintenance.
- The HURF Fund typically stayed consistently even year after year.

Capital Improvement Fund Overview

- The fund was one percent of the Town's sales tax revenue that was moved to capital improvements.
- The fund was to be used for items like debt service, recreational facilities and one-time capital projects.
- It was high for the upcoming year because $5.5 million dollars in loan funding for the Police facility had been added to the revenue and $6 million dollars in expenditure had also been added. Expenditures also included work at Old Home Manor (OHM) and Economic Development projects.
- As with other funds, spending should stay out of the red bar so that a healthy reserve balance could be maintained.

Water Enterprise Fund Overview

- This was a small fund with about $1 million dollars per year.

- The Town would spend more in the upcoming year than the ongoing revenue and fund balance because of the upgraded building. Within the next year, it would start to catch up and by 2023 through 2025, it would even out. The cost of the building had been split in half between the water and sewer fund. The Town made an investment and would get back to profitability or cash flow positive within the next couple of years.

Sewer Enterprise Fund Overview

- It was the same as the water fund, with the building cost impacting the fund.
- The green bar, representing one time revenue, was the WIFA fund that was used for repair and replacement. The building was getting older, and the work completed was exactly how the WIFA fund was intended to be used.
- The reserve balance was strong and above what was required.

Cares Act Funding Overview

- The Town had received $1.4 million from the CARES Act Fund, which paid for the Police Department labor and time. This freed money from the General Fund, which was used for Road work.
- The Town would receive additional stimulus payments in the amount of $2.9 million. One payment could be received before June 30th. There was currently no guidance on how the money could be used, but staff thought it would be similar to the last payment. The payment would be in two equal payments.
- Council would need to decide where the money would go once staff provided further details. It should be discussed whether the money was used all at once or used as a down payment on the Police Department. Staff assumed it would free up General Fund money, which would give the Town a nice nest egg over the next couple of years.

Budget Versus Actual Funds

- The Town's financial condition had improved significantly
- At the end of fiscal year 2020, the Town assumed that the fund balances would end with a certain amount in each fund. Due to the CARES Act funding, additional sales tax funds, and cutting expenses, the Town ended up starting the current year with over $1.8 million in additional funding in the General Fund. Without the CARES Act funding, it was approximately $500,000 in additional funding.
- The other Funds followed the same pattern except for the Sewer Enterprise Fund.
- Based on the way the Town budgeted for the current year, projections for the end of the fiscal year followed the same pattern as the previous fiscal year.
- The General fund projection showed excess revenue of over $4 million due to expense cutting and strong revenues through the CARES Act and sales tax funds.
- Other projections show the following surplus revenue:
    - Capital Improvement Fund - $500,000
    - HURF Fund - $160,000
    - Water Enterprise - $170,000
    - Sewer Enterprise - $385,000
- All the funds had improved more than was projected. The financial position of the Town was getting better and better.
- This would allow the Town to get some projects completed.
- The Town's cash balance had been going up as well.

Major Revenue Recap

- The Towns retail sales tax, not including construction or bed tax, went from $2.3 million in 2020 to $2.9 million in 2021.

- The vehicle license tax, sales tax, and income tax (State Shared Revenue) had all increased.
- The HURF Fund had a one-time payment of $160,000, and the fund would most likely be flat for the current year.
- Water service fees, capital improvement and sewer fees were projected to increase. This was the actual growth for the year.
- All major revenues, which were 60% of the total revenues, continued to be strong.
- A review of the actual numbers was provided to the Members. All the revenues were up, and combined revenue was up a total of 20%.
- The bottom line was that the Town was financially healthy, had stable growth and had the ability to do projects.

Cindy Blackmore presented the following:

- She wanted to recognize Mr. Duffy's efforts in the budget process.
- It was reemphasized the need for a structurally balanced budget that only funded ongoing expenses with ongoing revenues. This included expenses such as employee compensation costs, benefits, staffing needs and new and existing programs, funded with revenues that the Town expected year after year. This was something staff had already done and the Town would continue to emphasize.
- There was a very large fund balance, which was good, but it needed to be balanced with the needs of the community. The Town shouldn't continue to take money without putting it to good use. Staff would seek guidance from Council on how the funds should be spent.
- There were things that staff believed were in the pipeline and wanted Council to consider in their discussions. Items that had been identified as needs included:
    - General Plan Update - An update was required by State Statute every 10 years. The Town needed their next update by 2024. Staff explained that it was outdated, and that it was a guiding document that lasted the Town 10 years. General Plan updates could be expensive with a cost of up to $250,000. Staff did not think the current version reflected the true vision of the community and should be re-written. The plan could take a year to be completed because public input was required, and the maps and elements all needed to be updated.
    - Master plans should be put in place for water and sewer
    - The capital improvement plan should be formalized. She was pleased that staff members had been working on putting capital improvement plans together, but there was no formalized document yet.
    - Vehicle replacement fund. The Town had been replacing vehicles one at a time, but it needed to be formalized. Staff had already been working on that, but nothing had been formalized.
    - OHM was a big project that would be further discussed at the study session.
    - Possible events included the 50th anniversary and the Fourth of July.
    - Department requests included staffing and service level programs. The department requests were due in the upcoming weeks and although not everything could be funded, staff would come up with a good, recommended budget for the Council to consider.
- These items may not be able to be fully funded, but it was important to get it started and have a plan in place to get them funded over the next few years.
- Discussion items that had been areas of focus in the Strategic Plan for the Council to consider included:
    - Water
    - OHM prioritization

- Roads and maintenance
- Infrastructure and Town utilities
- Maintaining the rural community and business friendly environment
- CARES Act Funding

Staff needed guidance and Councilmembers would determine the priorities and direct staff on how funding should be used.

Councilmembers and staff discussed the following:
Cares Act Funds

- Staff confirmed that the projected budget had a surplus of $4 million and an additional $3 million in CARES Act money, for a total of $7 million in surplus funds. Staff explained that theoretically the Town could use the surplus funds to build the Police building. The annual payments were estimated at $300,000-$400,00 annually, with $120,000 to $150,000 in interest annually for 25years. It would be approximately $2 million in interest by the time the loan was paid off, but the loan could also be paid down faster after 10 years. A down payment of half the cost could also be applied. If the Town wanted to spend all the reserve money on the Police Building, they could but nothing else could be funded.
- Staff was unaware of what the constraints would be on the CARES Act money, including if there was a timeline for the funds to be used.
- Once the criteria were known and had better numbers, staff would bring it back for Council discussion.

Vehicle Purchasing

- The vehicle purchasing plan had started with the Police Department because of the number of replacement vehicles needed per year. Even though the Town had been doing that, it was not formalized. A complete asset management plan needed to be formalized, which included vehicle replacements and infrastructure, building and road maintenance. Staff was working on those plans and had been discussion items with staff. Council wanted an estimated financial number so that they knew the funding allocation that was necessary annually. Staff was working on those numbers and expected to have something when they came back with the recommended budget.
- The Police vehicle replacement program budgeted for two replacement vehicles annually. The Town was also buying two to three units annually for the other departments. The Council had given direction to begin to pay cash for the cars instead of financing them.

Police Building and Fund and Loan Planning

- Council had done too much reacting in the past as opposed to planning. By establishing the numbers, the Council would be formulating a plan.
- If there was a good asset management plan that looked at the degradation of the roads over time, Town could compare the cost of that versus interest rate of the police station and see where it was best to put the money. With the interest rate so low, it might be beneficial to have the debt service for the police facility and fix the roads because in the end it might cost more to not do the roads now.
- A member discussed using half the CARES ACT funding for a down payment on the Police Department building, transfer the money to Police and then transfer the other half over to roads. The reserved funds were discussed.
- Members discussed putting a down payment on the Police Department building even though the interest rates were low. Once the department reports were received, they

could decide where the remaining funds could be applied. Members also discussed not using the money for the Police building because of the low interest rates and carefully planning the expenditures so that all the funds were not spent at one time. Staff explained that a loan on the Police building was appropriate because the life expectancy of the building was 50 years, and the loan would be paid off in 25 years. That way the cost was spread out over a 25-year period of time and both the current citizens and future citizens would be paying for the building.

- The Town was paying cash for the Police Department building design and then $500,000 was plugged into the budget to cover equipment, furniture, etc. The Town would be paying approximately $800,000 of the total $6,000,000. The plan was to borrow $5.5 million to have a financial buffer.
- The project would go out to bid and the Town would have the numbers by July. The financing would be lined up, and the first Council action would be to approve the financing and then approve the bid to do the work.

Miscellaneous Discussions

- The salaries had gone up approximately 4% across the board.
- Generally, if an asset or project budget item was under $50,000, the line item was kept in the department budget (excluding sewer and water, which were enterprise funds and all projects stayed within the department budget regardless of cost). Anything $50,000 or above went into the Capital Improvement fund and used the 1% sales tax funds.
- Staff would make a budget presentation on May 11th to cover the compiled numbers. On May 18th, Council would have another study session to further discuss the budget. The tentative budget would be voted on May 26th, and with the final budget passed in June.
- Impact fee study would begin in April and was already in the budget. It was a yearlong process.
- There was a $10,000 line item request for dog park upgrades.
- Staff explained that if the Council gave staff a general direction, they would work the numbers so that the Council could determine what the Town could and could not afford.

Master plans and Capital Improvement Plan

- The Town had an old sewer master plan that only looked at the east side of Town. It was from 2004 and was very outdated. There was also a transportation plan that was done in 2007. It was a good document but needed to be updated. Master plans were generally updated every three to four years or more often if there was a population boom or a large, unexpected subdivision went in. The Town did not have a water master plan. The plans would look at land usage that tied in with development to determine the highest and best use. The water master plan would look at water usage based off zoning and could even state the size of trunk lines in certain areas, which could assist the Town by ensuring the requirements were met during new development phases. The documents were living documents and changed as the development came in and changed. The plans were only as good as the information that was in them. The OHM master plan documents would give the Council a good idea about what a master plan looked like and how it could be used. The cost of any given master plan would vary and was dependent on the detail provided within. The timeline would also vary.
- The General Plan should address the conceptual level of many of the master plan's maps. The master plans should stem from the General Plan, which was not currently the case.
- The Capital Improvement Plan (CIP) could generally be done in house. Once there were master plans in place, it would be easier to put the CIP together. It could be started, and a general outline of the CIP could be complete before the budget was adopted.
- The sewer and water master plans were the two most important master plans to get

complete.

- Staff stated that the transportation plan was also important because code required that Town had an adopted street map, which they did not have.

Old Home Manor

- OHM was a large piece of land and there had been a lot of work into the project, and it continued to be important to the Town. There would be further discussion at the study session later in the evening.

Roads

- The Town currently had approximately $1 million for road funding for the upcoming year and would most likely increase that amount to $1.5 million.
- Road maintenance costs were $1.5 million total annually just to maintain the roads in their current condition. This did not include improvements or expansions. The maintenance of roads included seal coats, overlays and reconstruct work.
- A Public Works Department program request would be a pavement management program that would objectively show the necessary information over time. The software cost was being researched by staff, but one time costs ranged from $50,000-$100,000 to start it and then lesser amounts every year for inventory. The annual road assessments could be handled in house or hired out. The first year someone was brought in to inventory the roads and create a database. Staff did not view the software as a return on investment. It allowed the Town to do planning and not waste time. Staff's goal was to keep the good roads good. The software would be able to show that if a good road were left for three years, the work required would be more extensive and cost more. The software program help staff generate graphs and charts to show Council deferred maintenance and the cost of putting one road off versus another road. It would help prioritize the work. It would also show how an increase in budget could be used to raise the condition of roads. It was an analysis tool that also gave objective criteria to help plan which roads to do. It would save money over time, but it was difficult to quantify those numbers.

General Plan

- The committee created to work on the General Plan reviewed what staff or the contractor wrote and would provide feedback. The citizen review provided feedback to the community so when the General Plan went Town Council and then through a referendum, the community had already been involved in the process. The plan could be written by either staff or a contractor. Staff probably did not have the time to write the plan but could take a supervisory role. The more money spent on staff writing the plan, the less money the Town had to spend on a consultant. There was already high community interest to be on the committees because it was more citizen based and not what Town staff wanted it to be. The Town Manager's preference was to hire an outside consulting firm with staff managing the project. The planning process included citizens, businesses, and stakeholders. Since it was such an intense process, there was no way that staff could have the time to carry on with their other duties and work on the General Plan.
- The General Plan update would be the priority before the master plans because the master plans could feed off the General Plan.
- Members were generally supportive of making it a priority.
- Staff did not recommend having a committee write the General Plan.

The 50-Year Celebration and Fourth of July Events

- There was $10,000 specifically for the 50th anniversary celebration. Members still wanted the celebration to take place in September.
- The Forest service would be putting burn restrictions into place, which would mean the Fourth of July fireworks event may not happen. It was explained that the local conditions were only one factor that they took into consideration with fire issues. Many of the staff went to other areas during fire seasons, causing staff shortages. There had been discussions about having fireworks during the 50th celebration if fireworks were not possible during the Fourth of July. Staff mentioned it might be possible to do both events.
- Staff had been considering, if Covid was not controlled, going back out to OHM and have people distance park in their cars and shoot off the fireworks and leave it at that. Staff would continue working on the fireworks contract and would stay informed with any restrictions put into place.
- Other than the deposit, the expenses for the fireworks were refundable, but even though there had not been fireworks for the last two seasons, only one year at a time was budgeted. The average cost for fireworks was $12,000. Council could increase that amount so that both events could have fireworks.

Department Requests
Additional Employees

- A Member discussed code enforcement issues within the Town that made them unhappy. There would be a code enforcement presentation in the upcoming months. The member was unhappy and thought it was unreasonable that someone had to spend a certain amount of money to meet the Town requirements for occupancy and approval of permits when the rules were not being applied to 90% of the Town. When this topic was addressed before, it was because the UDO needed to be addressed, but most the issues seen in Town were already addressed in the Code, but code enforcement was lacking. If other members agreed with the assessment, then staff needed to request additional staffing through the department request process. The Council needed to authorize more full-time positions, which would affect the budget. The staffing needs needed to be addressed. Employees were expensive, and although the Town had done a good job at keeping the full-time employee numbers down, the Town had to question if they had enough employees to get the necessary work done. Other members agreed that it was an issue. There was discussion about UDO and General Plan requirements and code enforcement.
- For the employees that had left employment, those positions were still in the budget. The Assistant Town Manager position was not in the budget because it was before the current year.
- The Human Resource Director was getting strategic staffing requests from the departments that were requesting new staff. There had been 17 different requests for additional employees. These requests would be prioritized through a process that gave everyone equal opportunity to make their requests.

Water Company Purchase

- This ballot measure failed.
- The Town could consider one specific company at a time, but it would need separate ballot measures for each company. The cost for a special election was approximately $25,000-28,000 and regular election was approximately $30,000-$35,000.
- Members discussed what would happen if a water system were shut down because the company failed. Staff explained that in the past the State had asked the Town to run it on an interim basis.

- Members discussed the importance of expanding the Town's water system.
- Members thought it was financially important that the Town keep pursuing water companies in the future. There needed to be an aggressive educational campaign on why the Town wanted to buy the water companies.
- Town should continue to look at all water resources, importation, and water needs.
- Staff said another way to approach the subject was to contact the State Legislature and get the law requiring voter approval changed.

Softball Fields – OHM

- Not much had happened with the OHM ballpark. There had been community service workers cleaning up the area. It was a work in progress, with the idea to get the area cleaned up initially.
- The idea had been to allow dogs on the smaller field.
- Staff direction had been to get the area cleaned and graded so it looked like the Town cared. The utilities department would mow the surrounding area.
- If the area were kept smooth enough, the kids could use the larger field to practice.
- Staff had been instructed to sit and wait to see how OMH was developed.
- To get the fields up and ready to use would cost hundreds of thousands of dollars.
- If an Economic Impact Study were done on the fields, one softball tournament could help pay the cost of development. There was community interest in both softball and little league. Staff had encouraged the little league to apply for the Diamondbacks grant to develop the fields.
- Council needed to determine if they wanted to invest in fields at OHM or if they wanted to light another field at the Community Center. There was one more field to light at the Community Center. If the fields were all lit at the Community Center, it could go from early morning until night. It also had a concession stand. It was a nice Community Center Park with five fields. The lights could be monitored by timers or by staff phones.
- Staff mentioned that the fastest growing sport was pickleball and in years to come, the Town needed to think about a dedicated pickleball facility.

Members took a Recess at 3:04 p.m. and reconvened 3:22 p.m.

Cindy Blackmore summarized the discussion for the Council Members.

Council Members further discussed their priorities, which included:

- The dog park needed to be addressed. The current dog park had a surface that got hot and was hard on the animal's feet. There was also no shade available.
- Town needed to hold events that brought people to town to spend money.
- A member questioned how the Town's sales tax rate compared to other surrounding communities. Staff did not have an immediate answer. It was an important factor for the Town in a competitive economic aspect.
- Hiring more staff to bring the workforce up to where it was needed to properly get the work done. Staff explained they were actively bringing on a recruitment module to be more efficient in the recruitment. When new staff were brought on, there was a lack of space to put them.
- Road 4 North realignment project would become a major access road to OHM. Road 4 North was a big project. Access on Road 4 North would extend to commercial traffic. Perkinsville was also decaying quickly.

OHM

- OHM Plan – Have a clearer consensus on the plan to give staff better direction on the vision. Town needed to better establish the guidelines and what they wanted to attract out there.

- Members had received many comments from citizens that were concerned that a lot of money had been spent on OHM but nothing ever happened out there. Until the Town started projects that had the proper funding, nothing else should happen.
- Members were supportive of continuing to make it a priority.
- Members discussed the Mudder and Grinder events and sponsorship possibilities.

3) ADJOURNMENT

Mayor Miller adjourned the meeting at 3:46 p.m.

Jack W. Miller, Mayor

ATTEST:

Erin N. Deskins, Town Clerk

CERTIFICATION:

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Regular Meeting of the Town Council of the Town of Chino Valley, Arizona held on the 16th day of March, 2021. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this 27th day of april, 2021.

Erin N. Deskins, Town Clerk