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

THURSDAY, APRIL 5, 2012
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, April 5, 2012.

Mayor Marley called the meeting to order at 6:04 p.m.

Council Present:	Mayor Chris Marley, Vice-Mayor Carl Tenney, and Councilmembers Mike Best, Darryl Croft, and Linda Hatch.
Council Absent:	Councilmembers Dean Echols and Lon Turner.
Staff Present:	Interim Town Manager Robert Smith, Interim Police Chief Chuck Wynn, and Town Clerk Jami Lewis (recorder).

2) Presentation by staff and discussion regarding the fiscal year 2012/2013 proposed budget. (Robert Smith, Interim Town Manager)

Acronyms used in this item:
APS (Arizona Public Service)
FY (Fiscal Year)
HURF (Highway User Revenue Fund)
LTAF (Local Transportation Assistance Fund)

Mr. Smith reported that staff had divided the Finance Director duties between budget and finance. Staff then secured Pat Walker and Gayle Whittle to assist with preparing the FY 2012/2013 budget and will also request that Council approve a professional services agreement for part-time temporary finance services. Staff's goal to be budget neutral with regard to these contracts was being met and they hoped to fill the permanent position by June 1.

He then presented strategies to bridge the anticipated $700,000 gap to balance the FY 2012/2013 budget, as well as future budget challenges. Key points were:

- Staff had originally anticipated this gap to be $800,000; however, based on the latest state revenue estimates from the League, the Town will have an additional $100,000 in revenues, as long as HURF funds were not swept.
- Using some attrition dollars, making some minor personnel and structural changes, not filling the open Police Commander position, and implementing the compensation and classification ("comp and class") proposal would reduce the gap by $30,000.
- Selling the Town's cell tower for a lump sum would reduce the gap by $330,000.
- Hiring a part-time resources development person would reduce the gap by another $60,000 from revenues generated by this position's efforts over and above the $18,000 salary.

- Using $280,000 of the Town's $1.1 million in reserves would reduce the gap to $0 and leave $820,000 in reserves for FY 2013/2014.
- Since the personnel changes and cell tower sale were one-time revenues, a $650,000 gap will still exist for FY 2013/2014. If Council met that gap by using the $820,000 in reserves, that would create a $1.1 million deficit for FY 2014/2015.
- Given the Town's sales tax history, cutting programs today would bring relief for the next three to four years, but when the debt service matured in FY 2014/2015, the budget would be back in the same place. In short, the Town would need an additional form of revenue of about $2 million per year. This did not include the possibility of the state sweeping HURF funds.
- The difference between the current $700,000 gap and the anticipated future $2 million deficit included restoring the 40 hour work week, full staffing, and debt service increases in FY 2014/2015.
- The Town needed to look toward sustainability rather than short-term remedies and officials needed a strategy in place before FY 2014/2015.

Council and staff discussed the following topics:

Comp and Class study. The full comp and class recommendations were included in the proposed budget, but a 40-hour work week was not.

Staffing. While municipalities should have 100 employees per 10,000 in population, the Town had only 82.

Carryforward. Council expressed concern about using up the carryforward over the next two years.

Town facilities. Staff had stopped maintenance on everything possible on the physical plant, but could not continue to do so.

Old Home Manor (OHM) options. Selling OHM would bring relief for only about five years.

Aquatic Center options. If the Town could lease this facility to a third party, then the Town could use the sales tax that was currently subsidizing the pool on other things, but they had to be careful about ceasing particular services and not being able to use the funds for something else. Council hoped to keep the pool open since it gave the youth something to do, and seniors had asked for a way to cover the pool for year-round use. The Town had researched a grant for a sustainable building, but it would need to fund half the cost. Conversely, Council could research APS grants for solar heating, as well as hard plastic tubing, or other innovations.

Recreation options. Cottonwood, which had a nice recreation center, obtained it through a large tax several years ago that allowed the citizens to purchase low-cost memberships. Regarding the skate park, staff was applying for a grant, but the grant was for $20,000, while the cost to rebuild it was $500,000. Staff was also researching grant possibilities through Drake Cement. Council wanted to make sure staff working together, working to bring in tournament play on the fields, and resolving some of these issues before school was out.

Other possible savings. These included electric use savings by expanding the wastewater treatment plant solar farm, new APS programs for libraries and government buildings, and funding the Senior Center and/or Aquatic Center through a third party or non-profit organization.

State shared revenues. The Town needed to be cautious with regard to the budget, as there were no guarantees by the legislature regarding HURF funds and other sweeps.

Possible revenues. Council could enact a sales tax increase that could sunset if the voters subsequently approved a property tax. If such a property tax was designed to support only the police department, the rest of the Town's operations would be funded through the other revenues. Staff could research that feasibility if Council so desired. Council could also eliminate some services and use a tax to meet the deficit.

Town fees. The user fee and impact fee studies might require an increase to Town fees and Council might need to re-impose impact fees when the moratorium ended.

Public opinion and education. As Town residents wanted different things from the Town, from limited government to a willingness to pay taxes for certain services, public education was imperative, as there were a lot of misconceptions on the street. The public needed to understand that the Town was at a turning point and needed to make changes, either new revenues or draconian cuts. One way to inform the public was through groups like the General Plan Committee and other community organizations.

Community involvement. One way to involve the community was through a survey that would gauge their preference for cutting services versus an additional revenue stream, and/or evaluate and prioritize present services, programs and projects. Another way would be to establish a group of citizens to garner a grassroots response for a possible new revenue. Either way, the Town needed to be honest and careful in its approach.

Council concluded that they will need to make some tough decisions, ensure that Town resources were used wisely, define the Town's basic services, identify what was expendable, think creatively, and involve the public in the discussion.

They also asked Mr. Smith to provide more solid numbers at the next budget discussion.

Ron Romley, resident, stated that: his contacts on the legislature had told him that they were reviewing HURF and LTAF funds and Rep. Fann told him that they intended to draft the budget first, then discuss those things; the citizens had a choice between paying a property tax or loosing services; Council needed to be careful about an additional sales tax, since the Town's was the highest in the tri-cities, and citizens were willing to drive to Prescott to shop rather than pay it; he understood that the pool only cost the Town about $8,000 per year; and it was going to be very important to educate the public.

Cheri Romley, resident, added that: based on several large recent expenditures, such as the general plan contract and new phone system, many citizens did not know the situation was so serious; a full-time resource person she knew in Glendale generated about $3 million; and there was an issue with some volunteers not being treated very well by Town staff.

3) ADJOURNMENT

Vice-Mayor Tenney MOVED, seconded by Councilmember Hatch, to adjourn the meeting. The motion PASSED unanimously 7-0 at 7:18 p.m.

Chris Marley, Mayor

ATTEST:

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 5th day of April, 2012. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this 24th day of April, 2012.

Jami C. Lewis, Town Clerk