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

THURSDAY, APRIL 19, 2012
4:00 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 19, 2012.

Mayor Marley called the meeting to order at 4:00 p.m.

Council Present:	Mayor Chris Marley, and Councilmembers Mike Best, Darryl Croft, Dean Echols, and Linda Hatch.
Council Absent:	Vice-Mayor Carl Tenney and Councilmember Lon Turner.
Staff Present:	Interim Town Manager Robert Smith, General Services Director Cecilia Watts, and Town Clerk Jami Lewis (recorder).

2) *Timed Item: 4:00 p.m.* Presentation of results from the Compensation & Classification study. (Cecilia Watts, General Services Director)

Councilmember Croft spoke about the importance of this study and his belief that Public Sector Personnel Consultants ("PSPC") did a great job on it.

Ms. Watts recounted that Council contracted with PSPC for this study in October 2011. She acknowledged Council for authorizing the study, the employees for their work on the position analysis questionnaires, Human Resources Analyst Tiffany Resendez and Interim Town Manager Robert Smith for their assistance, and Matt Weatherly with PSPC and his assistant Liz. She also noted that management staff was going meet with each department to go over the study results.

Mr. Weatherly presented the study results as follows:

The study's principal project components were to:
- Review the Town's job titles and job descriptions and update them to provide for equal pay for equal work.
- Conduct a market survey and compare the Town's salary offerings to surrounding competitor employers and use the data to develop a defensible compensation plan for the Town.
- Develop a classification and compensation plan to match Council's desired philosophy or policy and to ensure the Town's ability to attract and retain skilled employees.
- Develop implementation options and scenarios for the Town to consider in upcoming and future budget years.

The Town currently used 74 job titles for 89 positions. The Position Classification Plan:

- Consolidated the classifications to about 60.
- Proposed title modifications for 26 classifications (34%).
- Proposed title modifications for 49 employees (55%), with no inherent associated costs.
- Updated job descriptions for each job.
- Suggested FLSA salaried / hourly designations, including moving 8 positions from hourly to salaried.

Salary Survey Methodology

- Competitors were those employers with whom the Town competed to attract and retain employees, regardless of salary philosophy or an ability to pay.
- Competitors included Camp Verde, Cottonwood, Page, Payson, Prescott, Prescott Valley, Sedona, Show Low, Wickenberg, Williams, Winslow, and Yavapai County.
- Some private sector data was also included.
- Salaries were compared using unfurloughed rates for the Town, as well as for the other entities.
- The salaries for each recommended job class were compared by using the midpoint for a journey level competent performer from each competitor's salary range, then calculating the average of all the midpoint salaries.

Summary of Survey Findings

- Market data was collected for 51 job titles.
- On paper, the Town's current pay plan was competitive for 28 of the jobs surveyed; however, actual salaries varied from plan midpoints. This was not uncommon, due to pay plans being historically adjusted by the same percentages over time, such as by COLAs or general wage increases, resulting in, on paper, the pay grades for each job ending up appropriate for some jobs and off-base for others.
- Factors that could also influence pay strategies included availability of talent, mobility, staffing levels, geography, competition, and turnover.
- On average, the Town's pay plan was slightly below market, within 5%. Of the 51 job titles surveyed, some were below market, some at market, and some above. At the management level, public sector jobs typically paid less. He designed the Town's pay plan to be right in the middle, within 5% of the market.

Proposed Pay Structure

- The Town's 18 pay steps were too cumbersome; he recommended they be reduced to 12.
- Similar to the Town's current salary grade table, the proposed table contained a uniform 2.5% between each step, 5% between each pay grade, and approximately 30% opportunity within each pay grade.
- Using the information provided by employees on the position analysis questionnaires and data collected in the market, they changed some job descriptions based on actual duties being performed, combined multiple job titles into one description, and proposed pay grades for each job class.

Pay Grade Assignments

- The proposed pay grade table contained 50 grades, 12 steps per grade, with the midpoints being placed around steps 6-7. He also narrowed the bottom and top pay grades to prevent the Town from paying too low or too high.
- A pay grade related to the value of the job, while the step related to the value of the person. Journey level people should be within steps 5-8, with new employees in steps 1-4, depending upon experience, and those with longevity or exceptional performance in steps 9-12. The Town should not get locked into hiring at step 1, especially for hires that had experience.
- All jobs were assigned to a proposed pay grade, and where practical, to the pay grade nearest market prevailing rates.

Summary

- The Town had 21 employees that fell below step 1; this needed to be fixed first. 61 employees fell between steps 1-12, and 7 employees were above step 12.
- At 100% of market rates, the estimated base pay cost to bring the employees in line who were below the appropriate step would be $101,290. Additional in-grade adjustments could be made on the basis of individual performance and time in position.
- The Town had 11 employees with 5 or more years in their position that fell at or below step 4 that should probably be placed at or above step 5 when possible or affordable; the estimated cost for this was $31,072.
- The proposed compensation plan, upon initial adoption, would ensure placement of all Town employees at a rate of pay within 15% of overall market values for their job classes.

Council informed Mr. Weatherly that the current job description for the Magistrate position conflicted with the Town Code and other documents, and staff did not have a final description for that position. Mr. Weatherly related that the firm's relationship with the Town extended a year after adoption and provided for revisions due to errors or new information and associated recommendations.

Ms. Watts concluded by stating that Mr. Weatherly's recommendation would be included in the proposed budget.

3) BREAK

Councilmember Hatch MOVED, seconded by Councilmember, to recess the meeting. The motion PASSED unanimously 5-0 at 4:51 p.m. Mayor Marley reconvened the meeting at 6:00 p.m.

4) *Timed Item: 6:00 p.m.* Presentation by staff and discussion regarding the fiscal year 2012/2013 proposed budget. (Robert Smith, Interim Town Manager)

Acronyms used in this item:
FTE (Full-Time Equivalent)
FYE (Fiscal Year End)
HURF (Highway User Revenue Fund)

Mr. Smith introduced Pat Walker, who was working with Gayle Whittle on the Town's budget due to the Finance Director position vacancy. This was a follow up to the initial budget session held on April 5, with Ms. Walker bringing some detail and focus to the process, as well as different scenarios.

Ms. Walker presented FYE 2012 estimates first, followed by the projected status for FYE 2013 through FYE 2017.

General fund analysis for FYE 2013

- At the beginning of FYE 2011, the Town had a fund balance of $1.45 million. At FYE 2012, the Town would have an anticipated fund balance of $1.67 million.
- Under the FYE 2013 budget proposed on April 5, estimated revenues were $6.1 million, estimated expenditures were $6.55 million, and using a $250,048 carry forward would leave a fund balance of $688,396.
- Staff now proposed the following revenue enhancement changes: revising the SBA cell tower lease for an increase of $300,400, other revenue adjustments of $6,280, and budgeting 100%, instead of 95%, of the state shared revenues of $73,330. The Town would still have to reserve 5% of the state shared revenues per policy.
- Staff also proposed the following expenditure changes: departmental expenditures reduced to $6.25 million, reserve funds increased to $323,047, personnel increases of $147,053, the compensation and classification implementation of $118,492, and an insurance rate decrease of $6,601.
- These changes from April 5 would leave a carry forward of $1.33 million. The Town would still use its savings to balance the budget, but less so than previously.

General fund analysis for FYE 2014 through FY 2017

- In FYE 2014, the decrease in revenues due to loss of the tower lease, along with a 1% increase in general revenues would reduce total revenues. A 2% increase in expenditures, along with a reinstatement of the 40-hour pay week would increase expenditures, leaving a carry forward of $177,802 and a deficit of $1.15 million, although the Town could still balance its budget.
- In FYE 2015, the Town hoped to start building up staffing to where it should be by adding 5 positions for the next 3 years. However, by this time, a structural deficit would start to occur. The Town would have to use up its savings account and adding the 15 new positions, the Town could potentially be in the hole by $5.14 million by FYE 2017.
- This analysis was just for the general fund. Issues with other funds were not included, such as HURF, which used to carry $1 million and only currently had less than $100,000, capital asset replacements, or capital projects lines.

Revenue enhancement scenarios

- Scenario A–Property Tax of $1.86 per $100 of assessed value: To deal with the deficit, the Town needed $1.4 million per year. Even with a property tax at this level, there would still be a deficit.
- Scenario B–Sales Tax Increase of 1.25%: This would raise about $1.43 million per year, and the fund balance would drop about the same rate as with the property tax.

- Scenario C–Sales Tax Increase of .75% and Property Tax of $0.93: This was better, but still revealed a problem.

Mr. Smith added that the personnel cost changes, 40-hour work week, and 15 additional FTEs represented the maximum amount for the Town to operate at the right level; these represented policy decisions that Council will have to make. The Town usually budgeted $1 million per year for roads maintenance, but if HURF funds were not available, the Town would have to find money for that. Even if Council did not approve the personnel and work week changes, issues with regard to roads maintenance, capital replacement, and capital projects still remained. Staff will be developing timelines for a possible sales or property tax. He hoped the community would let Council know of their preferences.

Council and the public asked about including possible grant funds in the budget and possible savings from the solar field. Mr. Smith and Ms. Walker related that:

- Staff could add grant lines, but grant expenditures would still need Council approval.
- A potential resource development staff member could, as part of his/her duties, review grant lines and discuss them with Council.
- As operations costs for the wastewater treatment plant were reduced from electricity generated by the solar field, staff would take that into consideration with respect to user fees.

Council comments:

- If the Town asked for a property tax, the reason needed to be clear to the public.
- Per certain members of the legislature, they were pessimistic about giving HURF funds back to the municipalities, as well as possibly some state shared revenues.

Council asked for Ms. Walker to provide some more scenarios based on no increases to HURF funds and possible reductions in state shared revenues.

5) ADJOURNMENT

Councilmember Hatch MOVED, seconded by Councilmember Croft, to adjourn the meeting. The motion PASSED unanimously 5-0 at 6:38 p.m.

Carl Tenney

Carl Tenney, Vice-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 12th day of April, 2012. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this 8th day of May, 2012.

Jami C. Lewis

Jami C. Lewis, Town Clerk