

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

**TUESDAY, APRIL 19, 2016
6:00 P.M.**

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 Tuesday, April 19, 2016.

Present: Mayor Chris Marley; Vice-Mayor Darryl Croft; Councilmember Mike Best; Councilmember Susie Cuka; Councilmember Jack Miller; Councilmember Corey Mendoza; Councilmember Lon Turner

Staff Present: Town Manager Robert Smith; Finance Director Joe Duffy; Assistant Public Works Director/Town Engineer Michael Lopez; Utility Supervisor Chris Bartels; Wastewater Treatment Plant Operator Mike Bovee; Utilities Crew Leader Joe Grassi; Associate Planner James Gardner; Town Clerk Jami Lewis (recorder)

1) CALL TO ORDER; ROLL CALL

Mayor Marley called the meeting to order at 6:01 p.m.

Mayor Marley reported that staff requested that Council move item 3 to the top of the queue.

MOVED by Vice-Mayor Darryl Croft, seconded by Councilmember Mike Best to move item number 3 to number one.

Vote: 7 - 0 PASSED - Unanimously

2) Presentation and discussion regarding the Revenue Manual, Preliminary Budget, and Capital Improvement Plan for fiscal year 2016/2017. (Joe Duffy, Finance Director)

(This item was heard after item 3 but is retained here for clarity.)

Mr. Duffy presented the revenue manual, an instrument that helped staff increase the accuracy of budget projections by allowing them to identify the specific trends with each revenue account.

The Revenue Manual included:

- Summary of all revenues over the last five fiscal years (FYs).
- Projected revenues for the next five FYs.
- Assumptions that all revenues were projected to stay even or increase 3% each year unless other data was available.
- No grants, interfund transfers, or carry over amounts at this time.

Key points regarding revenues:

- General Fund (GF) revenues increased 3% this FY and were projected to increase 3.75% next budget year.
- In the GF, total sales tax increased 4%-5% increase.

- Construction had increased, but not as high as projected.
- The capital improvement fund was projected to increase 4% next year.
- City of Prescott payments for water transportation tax will end in FY 2020/2021.
- Sewer buy-in fees were less than projected and rate increase freezes were not included in the projections.
- Overall, revenues were showing slow, steady increases and staff was still projecting revenues conservatively.
- Projections will be updated during the budget process as new data became available.

Council had no questions or comments.

Mr. Duffy then presented the preliminary budget for FY 2016/2017 and reviewed:

- How to read the budget spreadsheets.
- Revenues, expenditures, reserves, contingencies, fund balance, and interfund loans.
- A summary of the general fund 10 year fund balance; highway user revenue fund (HURF); capital improvement fund (CIP); and water and sewer funds.
- Fund balances by fiscal year.

Key points regarding the major funds:

- *General fund:* Reserves were fully funded in FY 2014 and the fund was healthy.
- *HURF:* The fund had dropped dramatically since the recession and was severely underfunded. He recommended increasing the current \$50,000 transfer in from the CIP with an additional \$25,000. This was still not enough to get the needed roadwork done.
- *CIP:* This included roads impact fee projects, drainage projects, the EDA grant match, and transfers to general fund, water fund, and debt service.
- *Water fund:* The fund's cash flow was positive, but the general fund was carrying most of the fund's reserves. \$2 million was added to this fund for potential water system purchase(s).
- *Sewer fund:* This was the Town's first full year of operating the system. Staff had projected a \$70,000 loss; actual losses were \$77,000. Staff anticipated additional losses next year to get the plant to a proper operating level. As staff was putting cash away each year for asset repairs, he anticipated breaking even after this FY and being cash flow positive in FY 2018.

3) Presentation and discussion of proposed amendments to the Town of Chino Valley Consolidated Fee Schedule regarding Business License fees related to marijuana and liquor related businesses. (James Gardner, Associate Planner)

Mr. Gardner reviewed the preliminary proposed fee schedule amendments and how the fees were determined.

Medical marijuana uses

- *Proposal:* Establish fees for applications, business licenses, employee licenses, and inspections.
- *Purpose:* (i) Provide some cost recovery incurred by additional paperwork and tracking associated with such businesses; as well as address some disproportionate impacts placed upon the Town by these businesses, which require more significant oversight due to state law; and (ii) Ensure that the businesses and employees were current with state regulations.

In response to Council questions, Mr. Gardner and Town Manager Smith reported that:

- The Town had the authority to require additional regulations over the state for health and safety matters and to reduce risk.
- The Town's inspections would not duplicate those done by the Fire District; they would relate primarily to buildings and public safety.
- On-site inspections would be for compliance related to alarms, buildings, exits/entrances, ADA standards, parking, landscaping and lighting; it will be up to Council to determine the frequency of some inspections.
- Staff believed MMJ business employees received only a one-time certification, but the Town would want to ensure that such employees were staying in compliance.
- As the Town had no impact fees and received no sales taxes from MMJ facilities, this might be the only structure available to the Town to offset the impacts of these businesses.
- The only other Town imposing similar fees was Show Low, which had similar metrics to the Town, and whose fees were comparable.

Council comments:

- Council should discuss this further with the town attorney.
- They desired to protect the community, but not over-regulate it.
- There was concern over one MMJ facility that would not allow police personnel on premises.
- Slow down on this until a problem actually arose.
- The fire district conducted annual inspections and did not charge a fee.

Council asked staff to:

- Provide a list of state regulations for MMJ establishments as compared to staff's proposal, referencing the specific provisions related to staff's proposals.
- Research Health Department regulations with regard to random drug or alcohol checks for MMJ employees.
- Provide more data and justification for the proposal.

Liquor establishments

- *Proposal:* Establish fees for inspections of bars, beer and wine stores, liquor stores, domestic farm wineries, and private clubs.
- *Purpose:* Provide some cost recovery incurred by additional paperwork and tracking associated with such businesses; as well as address some disproportionate impacts placed upon the Town by these businesses, which require more significant oversight due to state law.

Mr. Gardner and Town Clerk Lewis described how these new fees would interact with the recent amendments to the liquor license business license and liquor license application fees.

In response to Council's questions, Mr. Gardner reported that the liquor license inspection fee would be only for the first time the business applied with the Town or for a change to the license.

Council comment: The proposed fee penalized businesses that served alcohol. While MMJ businesses did not pay sales taxes, liquor establishments did.

Land use advertising fees

- *Proposal:* Eliminate the Town's advertising fee for rezones, subdivisions, planned area developments, and conditional use permits; and require that applicants do this themselves and provide the required affidavit to the Town.
- *Purpose:* Relieves staff of this responsibility.
- *Considerations:* (i) impetus on the applicant leads to possibly missed deadlines; (ii) applicants must pay prior to publication, while the Town was able to pay afterward; (iii) the newspaper tracked Town-paid ads, but not private ads; (iv) private ads cost considerably more.

Council comments:

- Giving the applicant this responsibility appeared to create more of a liability.
- The Town should help citizens with such complex processes, since it was mandated.

4) Presentation and discussion regarding Wastewater Treatment Facility evaluation. (Chris Bartels, Public Works Manager)

Public Works Director/Town Engineer Lopez introduced Mr. Bartels who would:

- Review the current status of the wastewater treatment facility ("Plant"), expenses to date, and projected expenses to get the Plant functioning at its most efficient.
- Review staff's research regarding septage receipt and discussions with region entities regarding a county-wide regional facility.

Mr. Bartels presented:

- The Plant's construction, operations and maintenance history, and staff's comprehensive evaluation of the Plant since taking it over in April 2015.
- The Plant's technology.
- The Utility Division's objectives to obtain an operational understanding of the entire facility, identify issues, develop costs, project long term needs, and develop/implement revenue strategy.
- Current employee certifications and experience, and operational training resources.
- The Plant's flow schematic.
- Critical instrumentation and equipment's purpose, current status, replacement costs, average service life, and remaining service life.
- Instrumentation and equipment replaced to date and costs.
- Instrumentation and equipment to be replaced or refurbished and projected replacement schedule.

Mayor Marley recessed the meeting at 7:55 p.m. and reconvened it 8:00 p.m.

Council asked about warranties. Mr. Bartels stated that most such equipment generally had a one year manufacturer's warranty and warranty for motors had a little longer. Councilmember Turner noted that with commercial applications, maintenance levels greatly affected longevity.

Mr. Bartels then reviewed matters related to the liquid waste (septage) receiving program:

- *Current facilities:* There were 11 facilities receiving septage statewide at an average cost of \$0.15 per gallon.
- *Regional needs:* There was a need for another receiving location in the region, as Grey

Wolf and Prescott's facilities were limited. As the Town's Plant was designed to accept septage, the Town had the ability to create this as a revenue stream.

- *Possible disadvantages:* Impacts to chemical and biological balance; damage to wastewater treatment equipment; decrease in equipment service life; and increase in operational costs.
- *Possible advantages:* Potential to offset costs of running the Plant and provide a resource for the regional need. Staff will provide projected revenues to Council.
- *Program needs:* Replace existing SMU filter, develop regulations and protocols, and develop training for staff and liquid waste haulers.
- *Staff recommendation:* Develop program; implement it on a small scale, such as liquid only users; assess program; develop and implement refined receiving protocols and procedures; implement full scale program; and constantly assess and monitor conditions.

Staff provided more details in response to Council's questions:

- *Mitigating damage:* Septage would be tested before being offloaded.
- *Equipment service life:* The potential for decreased service life was only if something, such as an illegal dump, got through the system. Staff will work to mitigate these issues.
- *Sludge disposal costs:* About \$40,000 per year.

Council comment: This was a big opportunity for the Town and if set up correctly, it would provide ongoing revenue.

5) ADJOURNMENT

MOVED by Councilmember Jack Miller, seconded by Councilmember Corey Mendoza to adjourn the meeting at 8:18 p.m.

Vote: 7 - 0 PASSED - Unanimously


Chris Marley, Mayor

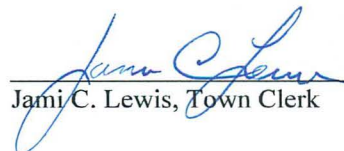
ATTEST:


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 19th day of April, 2016. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this 24th day of May, 2016.


Jami C. Lewis, Town Clerk