

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

**THURSDAY, MAY 7, 2015
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 Thursday, May 7, 2015.

Present: Mayor Chris Marley; Vice-Mayor Darryl Croft; Councilmember Mike Best; Councilmember Pat McKee; Councilmember Lon Turner; Councilmember Don Wojcik

Absent: Councilmember Linda Hatch

Staff Present: Town Manager Robert Smith; Assistant Town Manager Cecilia Gritman; Finance Director Joe Duffy; Human Resources Director Laura Kyriakakis; Police Chief Chuck Wynn; Town Engineer/Public Works Director Ron Gritman; Assistant Public Works Director/Town Engineer Mike Lopez; Development Services Director Ruth Mayday; Town Clerk Jami Lewis (recorder)

1) CALL TO ORDER; ROLL CALL

Mayor Marley called the meeting to order at 6:06 p.m.

2) Presentation and discussion regarding the fiscal year 2015/2016 preliminary budget. (Joe Duffy, Finance Director)

Mr. Duffy presented the preliminary budget for fiscal year (FY) 2015/16.

New This Fiscal Year

- Set up Customer Service Department in the General Fund (GF), with expenses to be charged out to applicable departments.
- Prepared updated interdepartmental charge analysis.
- Analyzed and projected capital requirements for the next 10 years, including amounts the Town could not fund each year.

Significant Expenditure Changes

- Health insurance increased 5% and the Town increased the dependent care contribution from 25% to 30%.
- Public Safety Public Retirement System costs increased 1.6%.
- Arizona State Retirement System decreased 0.0013%.
- Added Human Resource Director and Wastewater Treatment Plant Operator.
- 1% cost of living increase.
- Prescott Water Acquisition.
- USDA refinance for Molly Rae sewer.
- Impact fees funds reduced to zero.

Total Town Revenues and Expenditures

- Excluding debt, grants, carry over and transfers, total revenue was projected to be up 6% next fiscal year.
- GF revenues were projected to increase 4% and GF expenses were projected to increase 2%.

Summary By Fund

- *General Fund*: Staff proposed a \$57,000 carryover to balance the budget and transferring \$50,000 to roads, leaving \$150,000 in the fund balance.
- *Transfers into General Fund*: Increased amount by \$150,000 for aquatics.
- *HURF*: This was the final year that this fund could be used aggressively. Revenues were up 5%, but were still far less than needed. The Town will need alternative ways to fund roads projects.
- *Capital Improvement Fund*: The budget included \$2 million in revenues and expenses to cover any grants received; using all the remaining roads impact fees; and a \$405,000 FY 14/15 fund balance.
- *Water Enterprise Fund*: The net operating loss was going down as a result of new accounts and price increases. The fund was out of cash and will have to be subsidized for a year or two until the fund balance was healthier. The budget included the Prescott water acquisition.
- *Sewer Enterprise Fund*: The net operating loss would decrease significantly in FY 15/16. The budget included a \$500,000 bond to refinance WIFA loans and run sewer to Molly Rae subdivision, as well as one full-time plant operator.

Departmental Budget Decreases

- No election expenses.
- Changed Magistrate position from employee to contract position.
- Filled full-time Animal Control position with two part-time positions.
- Utility savings in Parks Maintenance.
- Roads/HURF personnel and materials.
- Reorganization to Customer Service Department and no one time expenses in water operations.
- Savings due to wastewater treatment plant acquisition.

Departmental Budget Increases

- Legal fees; liability insurance; new Arizona Department of Revenue fee; and transfer to HURF.
- New Human Resources Director.
- Possible County assistance with MIS/GIS.

Capital Improvements

- Capital expenditures included Roads Impact Fee projects, the Yavapai Drainage District project, carry over projects, wireless communications project, rural economic grant match, and transfers to GF, Water Fund, and Debt Service.
- Future capital requirements within the next 10 years included police vehicles; machinery

- and equipment; roads; facilities, buildings, and parks; and water and sewer system.
- Staff reviewed all capitalized equipment, and estimated replacement timeframes and costs. FY 14/15 had a capital funding deficit of \$914,000, mainly due to HURF shortages. Staff needed input from Council on funding sources and priorities.

Other Budget Items

The budget book included bonded debt summary, personnel schedules, five-year revenue and expense projections, other community comparisons, and official state budget forms.

Town Manager Smith presented an overview of his Budget Message.

- Town officials had worked hard over the last three years to develop a financial plan that was sustainable, transparent, and accountable.
- *Management and Operation:* Budget management was done through these foundational documents: budget, revenue manual, and comprehensive annual financial report. Council role was developing a Strategic Plan to set policy, goals, and priorities. Officials then obtained community feedback and adjusted the Plan for the next budget year.
- *Budget and Planning:* Currently, operations and operational reserves were funded and compliant with Council policy and code; however, capital had been unplanned and unfunded for about a decade.
- *Conflict Resolution:* Roads Impact Fees allowed the Town to resolve a land litigation and enhance transportation, and the Town purchased the wastewater treatment plant, resolving contractual conflicts. The Prescott water acquisition will provide an opportunity to freeze, and possibly reduce, utility rates, which will allow the GF to subsidize Roads instead of utility funds.
- *Leveraging Grants:* WIFA grants and loans will promote economic development and enhance fire protection. The Town invested \$125,000 to leverage \$2 million for the Old Home Manor Industrial Park project.

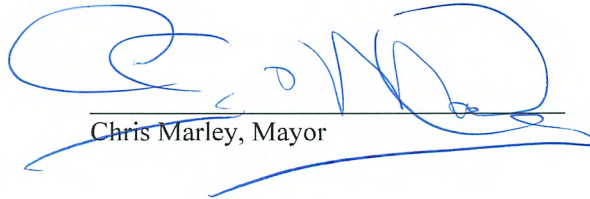
Staff provided additional details to Council's questions about the following topics:

- *New Customer Service Reorganization:* To create a better management structure, Mike Bovée was assigned as a part-time Customer Services Manager to supervise and cross-train customer services administrative personnel in Town Hall, Public Works, and Development Services, at a net zero cost. There was no change in operations or in costs. This was the first step to other future customer service improvements.
- *Molly Rae Project:* The Town's current USDA loans were at 4.25% interest. Refinancing the loans will cut interest in half and save the Town \$40,000 per year, which could be applied toward solvency in the utility funds. To refinance, WIFA required funding of a new project of around \$500,000. The project will fund sewer line to 145 units.
- *Transfer to HURF:* The transfer was for road materials only and would bring the budget to \$150,000. This fund needed \$1.2 million annually to properly maintain the roads and the Town had neither the staffing to perform the maintenance inhouse nor the funds to outsource the work. Staff needed Council input on these matters.
- *Transfers from GF:* Two of three transfers were from the 1% sales tax in the Capital Improvement Fund into the GF. The other related to the Police vehicle impound program. Per statute, storage, towing and hearing fees were split into two funds: the Police special revenue fund and the GF. All related fees paid to the Police Department went into the special fund, then the GF portion was transferred in.

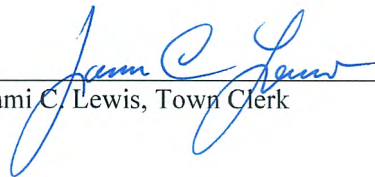
3) ADJOURNMENT

MOVED by Councilmember Mike Best, seconded by Vice-Mayor Darryl Croft to adjourn the meeting at 7:11 p.m.

Vote: 6 - 0 PASSED


Chris Marley, Mayor

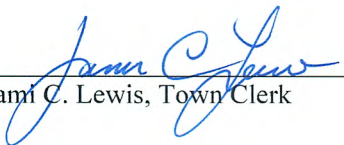
ATTEST:


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 7th day of May, 2015. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this 9th day of June, 2015.


Jami C. Lewis, Town Clerk