

DRAFT

MINUTES OF THE SPECIAL MEETING TOWN COUNCIL FINANCE SUBCOMMITTEE TOWN OF CHINO VALLEY

**MONDAY, MAY 4, 2020
3:00 P.M.**

The Town Council Finance Subcommittee of the Town of Chino Valley convened for a special meeting in the Council Chambers, located at 202 N. State Route 89, Chino Valley, Arizona.

1) CALL TO ORDER

Chair Croft called the meeting to order at 3:12 p.m.

2) ROLL CALL

Present: Darryl Croft, Chair; Corey Mendoza, Councilmember

Absent: Cloyce Kelly, Councilmember

Staff Present: Town Manager Cecilia Grittman; Finance Director Joe Duffy

3) APPROVAL OF MINUTES

- a) Consideration and possible approval of the February 25, 2020, special meeting minutes.

MOVED by Councilmember Corey Mendoza, seconded by Chair Darryl Croft to approve the February 25, 2020, special meeting minutes.

AYE: Chair Darryl Croft, Councilmember Corey Mendoza

2 - 0 PASSED - Unanimously

4) OLD BUSINESS

5) NEW BUSINESS

- a) Review and discussion on the Fiscal Year 2020/2021 Budget.

Mr. Duffy and Council discussed the following:

- Reviewed the schedule for budget meetings and how to plan and format the meetings around the pandemic.
- There were three main funds to review: The General Fund, the Capital Improvement Fund and the HURF Fund.
- The Town budgeted \$10,505,000 in revenues and \$13,109,000 in expenses. The reason the

expenditures are more than the revenue was because \$2 million went to the Capital Improvement Fund. There was also \$500,000 in contingencies and \$100,000 was transferred to HURF.

- The projected revenue in the Projected column was \$10,856,000 and \$12,689,000 worth of expenses. The Town was expected to spend approximately \$2 million more than was brought in because of the \$2 million that was transferred over to the Capital Improvement Fund.
- The Town conservatively budgeted and when staff projected, they came up with an estimate and then actual numbers would be presented June 30th. Since the Town was conservative when they developed a budget, they would end up with a little more revenue at the end of the year.
- Staff was projecting \$11,040,500 in revenue for the General Fund, with department expenditures at \$10,440,000, contingencies \$500,000 and transferring an extra \$500,000 into HURF. Town had been transferring \$100,000 per year to HURF and this would bring it up to \$600,000. Even after this transfer, Town's contingencies would be over \$5.5 million. Staff thought it was better to use the funds on the roads and not keep building the contingency fund. The required contingency fund was a little over \$2.8 million. The road work would not be done until Spring of 2021. This would give the Town the ability to move forward with the work if the financial impact was low or not do the work if the impact was significant.
- Due to the pandemic, Town would take a revenue hit, but they would have time between adopting the budget and moving forward, to know exactly the amount of the carryover. Within three to six months, the total impact would be known.
- The Town had shaved off a significant amount from their department budgets and put many items on hold. Staff reduced the budget without reducing it so much that they would run into expenditure limitation issues. This allowed the Town to have items budgeted but the flexibility of not spending the money if revenue funding became an issue.
- Payroll was 69% of the General Fund, services and supplies such as electricity, gas, auto repairs, senior center food, etc. was 27% of the budget, and Capital projects in the General Fund made up about 4%. Unless the Town reduced staffing levels, there was not much discretionary money in the General Fund. This was typical of most general funds in municipal governments.
- Committee members requested information on where the Town's employees' wages fell compared to other towns and cities.
- Staff explained that it had been a couple of years since they had done a per capita study on what each citizen paid for services per capita. The last time a study was done, Town had the lowest rate in Yavapai County.
- Town was trying to get as much money in the HURF Fund as possible so that more road work could be done.
- For 2021 Town had approximately \$1.7 million budgeted. The department spent about \$661,000 for payroll, gas, signs, etc., \$45,000 in equipment funding, \$1 million in road material for road projects. This left a required fund balance of \$738,000 or 25% of their expenditure budget.
- The intent was to take the carryover money every year and put it into the HURF Fund for road projects. The carryover amount would be known before any road work had begun.
- The Capital Improvement Fund was 1% of the Town's sales tax revenue. It was used to pay for the Town's general government debt service. The fund was also padded with \$2 million dollars in case the Town got a federal grant, or had an emergency and needed to spend FEMA dollars.
- The Town also kept track of the Yavapai drainage project. The Town received about \$130,000 per year. Previously the Town was required to spend the funds, but they could now roll it over. Because this fund is funded from property taxes, staff did not see the funding being affected.
- There was a \$400,000 fund transfer to the General Fund for the Police Department at \$250,000 and the Aquatic Center at \$150,000. The debt service was at \$973,000.
- Staff explained that the departments general fund budgets were essentially flat with only small increases. Staff reviewed each department and pointed out the following department increases and decreases:

- Town Clerk budget was up because they had intended to hire a new Deputy Town Clerk in July, giving the hire four months training with current Town Clerk Jami Lewis and the new Town Clerk Erin Deskins. The budget was also up because of the upcoming election.
- The Professional Service budget was up due to necessary recruitment travel for the Town Manager and to cover travel for the Economic Development Director.
- Municipal Court had an employee reclassification.
- The Finance Department had an increase to cover audit costs and merchant fees because of increased credit card transactions.
- Planning, Building and Code Enforcement reorganized staff but did not add any new positions or staff. The Customer Service budget went down because Code Enforcement will report to the Building Department, which made the Building Department budget increase.
- The Senior Center budget went down because there would not be any capital improvements.
- Parks Maintenance budget reduced the equipment requests and any equipment requests in the upcoming budget were on hold.
- The Aquatic Center budget moved their half time position to recreation, leaving the lifeguards as the only pool staff. There was also \$70,000 in the budget to re-plaster the pool, but it was currently put on hold.
- Memory Park Restrooms went down because the Town anticipated completion by June, but there might need to be a budget adjustment to push completion into the next budget year.
- Fleet Maintenance had a staff member retire and a new staff member would be hired at a lower salary.
- Engineering went up primarily due to the water consultant, a bit more in professional services and the department had asked for a \$8000 plotter, which had been put on hold.
- Non-departmental was down significantly because the \$2 million was charged through the non-departmental fund. Everything else in this category was nearly the same, but because of some legal issues Town was dealing with, it would most likely go up.
- Because of all the items put on hold, staff was seeing a significant reduction in the amount of cash spent weekly.
- Road Maintenance was getting a \$2 million increase.
- Water enterprise fund had been reduced because the anticipated project would not be happening. The sewer department had most projects put on hold including the belt press, drying bed and the flow equalization basin. Because Town put cash annually in an account for sewer repair and replacement, there were available funds to repair existing equipment at the waste water plant. Some projects could be done because of the available funds. The receivable balance for water and sewer had no changes in the previous month, so people were paying their utility bills.
- Capital Asset Placement was budgeted \$150,000 for an administrative vehicle, one Police car and one Police administrative car. The Town received a \$110,000 refund for the pool's liability insurance which could be used to purchase the vehicles. The vehicle replacements for the Police Department would replace existing vehicles not add more to the fleet.
- The Police Department wanted to get digital radio upgrades to help local coverage. The cost would be \$50-60,000, accomplished over two years. They applied for a federal grant which could cover 50% of the total cost. They should know by October if they received the grant. They would rather have the radios than a new police car. The Police Impound budget had to include traffic related expenditures. The revenue had dropped significantly because of a State law change.
- The Capital Improvement Fund:
 - \$2 million rainy day buffer

- \$130,000 Yavapai Drainage Projects
- \$125,000 for the traffic signal request through an IGA agreement that included a cost run over requirement for the current project and future cost over runs. Staff was working to get the cost run over language removed.
- \$135,000 in Old Home Manor (OHM) Masterplan.
- \$100,000 in the Welcome to Chino Valley sign but it was unclear what that would cover.
- \$60,000 for an impact fee study.
- \$750,000 for the gas line at OHM. The preliminary engineering and cost estimate were still underway. The installation would not be authorized until Town was sure it could be covered.
- \$250,000 for a 30% Police Department Design, but it would probably be closer to \$300,000. It was on the next agenda to be considered but staff thought it could be pushed to a future budget year.
- There were two transfers to the General Fund and debt service fund.
- Of the \$2 million transferred last year, the amount spent or allocated was \$1,543,000 leaving a balance of \$457,000 that was unspent.
- The Department revenue was budgeted with the numbers flat and without the typical growth that was considered. It was a reduction, but possibly not deep enough. The departments went through and made further cuts to their budgets.
- Everything that was put on hold was included in the budget so that if the Town had the ability to move forward on the projects, they could. The one project staff thought should be done was the Public Works flooring so the building could be done. The Community Center and Police Department roofs may need to be done through the contingency fund.
- Staff reviewed department necessary requests and those put-on hold.
- The \$500,000 sewer system extensions were not put on hold because the money would not be spent unless the Town had a strategic extension they planned to do.
- Staff wanted to get the internet to the wastewater treatment plant project completed at a cost of \$10,000. If their alarm system was connected to the internet, any issues could be done over their phones instead of going onsite.
- Staff and Committee members thought the biggest funding shortage would be to the HURF Funding, the State Shared Sales Tax, and possibly the Construction Sales Tax.
- Staff explained how the HURF funds were distributed throughout the State.
- Open contracts were reviewed by staff, excluding engineering contracts that were well under way. Staff had contacted the contractors for the Memory Park Restrooms and the Wastewater Treatment building about a clause in their contracts that allows the contractors to be reimbursed for any out of pocket costs to date. The costs are being gathered and would be presented to the Council on the next agenda. The fleet service truck was already delivered. The water truck was scheduled to be manufactured and could not be cancelled and would be delivered to the dealer. The sign projects signs were set to be installed within a week. The only project not underway was the Police Department 30% design project at \$148,000.
- Committee members and staff discussed the options with the contracts for the Memory Park Restroom and Wastewater Treatment projects.
- Staff would overview budget items at the next Tuesday night Council meeting. Staff wanted to emphasize that Chino Valley would okay and would most likely be able to do business as usual within six months.
- Staff attended a Department of Emergency Management teleconference to discuss federal funds that mostly covered personal protective equipment items or expenses specifically related to COVID-19.
- Discussed sustainable options for continued road maintenance throughout Town.

6) ADJOURNMENT

MOVED by Councilmember Corey Mendoza, seconded by Chair Darryl Croft to adjourn the meeting at 4:14 p.m.

AYE: Chair Darryl Croft, Councilmember Corey Mendoza

2 - 0 PASSED - Unanimously

Submitted: May 11, 2020.

By: *Erin Deskins, Deputy Town Clerk*

Approved: MONTH DAY, 2020.