

**MINUTES OF THE
REGULAR MEETING OF THE COMMON
COUNCIL OF THE TOWN OF STAR VALLEY**

**Tuesday, February 4, 2020 at 6:00 pm
3675 East Highway 260, Star Valley, AZ
(Star Valley Town Hall)**

The Agenda for the meeting is as follows:

- PRAYER was offered by Pastor Dixie Neal of Payson First Church of the Nazarene
- PLEDGE OF ALLEGIANCE
- CALL TO ORDER

- ROLL CALL:

Vice Mayor McKinney X , Council Member Davis X , Council Member Armington X ,
Council Member Binney X , Council Member Rappaport X , Council Member
McDaniel X , Mayor Coon X .

- **GILA COUNTY SHERIFF'S OFFICE REPORT FOR JANUARY 2020**

Lt. Scott with the Gila County Sheriff's Office gave the report for January 2020

- **CONSENT AGENDA ITEMS:**

All items listed under the Consent Agenda will be voted on with one motion. If discussion is desired regarding any Consent Agenda item, that item will be removed from the Consent Agenda and voted on separately.

A. Approval of the minutes from the Regular Council Meeting held on January 21, 2020.

B. Approval of Claims Payable from January 16, 2020 through January 31, 2020 for the General Fund and for the Water Department.

A motion to approve consent agenda items A and B was made by Council Member Davis and was seconded by Council Member Armington.

A roll call vote was taken:

Vice Mayor McKinney X , Council Member Davis X , Council Member Armington X , Council Member Binney X , Council Member Rappaport X , Council Member McDaniel X , Mayor Coon X .

The motion was voted on and passed 7 - 0.

- **DISCUSSION ITEMS:**

- 1. Quarterly financial report presented by Finance Administrator Chancy Nutt and Town Manager Tim Grier.**

Finance Administrator Nutt stated she will be presenting the financial review for period ending December 2019 for fiscal year 2019/2020. The presentation tonight isn't just about where the Town is at in a fiscal period. It's about the review of our collective efforts to provide services to the community and to maintain, improve and expand infrastructure as well as to manage the Town's finances for the future. Whenever it comes to the finances for Star Valley what she sees when she looks at that is the story of the Town. She can see the impact every official has had on this Town. She can see Town Manager Grier's innovative approach to small government management; and that Town Clerk Chapin's creativity, nature and clever writing skills have brought a lot to the Town. The contributions of present and past council members have all created a model small town. Council members have created and spearheaded projects that will outlast all of our tenure here. Ms. Nutt explained she was allowed to expand her experience and take on new tasks until she was able to create her own position with the Town. After nearly twelve years with the Town this is what her department looks like now: she sets and maintains project goals; provides timelines; administers grants; prepares annual audits; prepares the budget (she forecasts revenues and projects expenditures; maintains the capital asset listing and stays apprised of legislative regulations; provides in-house tech department (trains other employees and helps fix internal IT issues); prepares and maintains the Town's permanent record according to the state standard; and provides monthly reports to the town manager and quarterly reports to council.

Finance Administrator Nutt stated she will begin with an All Fund Summary of the Town's budget and where it is at. Ms. Nutt explained the four funds used within the Town: the General Fund with an estimated income of \$1.2 million; the combined streets and roads funds (HURF) and Gila Excise Tax, which is a restricted fund, that makes up 28% of the Town's anticipated revenues; and the Water Enterprise Fund at \$360,000.00 or 16% of the budget. The Water Enterprise Fund does include a grant for fiscal year 2020. Ms. Nutt detailed the fund expenditures that were expected for the four funds: 74% was the lion's share in the General Fund; 21% making up street/road projects; and 5% making up the Water Fund. These funds include contingency monies and rainy day money. For operation, explained Ms. Nutt, she prefers to look at the diagram that takes those contingency funds out and really budgets what the Town expects to spend. The General Fund is much closer to \$950,000.00 in the budget at 54%. The combined streets and roads funds were 25% of the overall operation budget and the Water Fund, including the grant, was 21%. The overall fund balance for operations for half-way through the fiscal year, with the target being 50%, the Town has collected 45% of the operational revenues. The Town began using the grant money and also the interest income came in at 60% (10% over the target). Ms. Nutt reported personnel expenses are where they were expected to be and are about 50% of the budget. Operation is in-line and a little slow during the winter. Capital projects are also a little slow during the winter months and will speed up in the spring. Purchased services, the outsourced services such as streets and roads and the IGA contract with law enforcement, is at 44%. Overall, at the end of the calendar year, the Town has expensed \$275,000.00 less out of the operational budget than has been collected. Meaning, the Town has a current Fund Balance of 28%. That will continue to be monitored until the end of the fiscal year and will roll into next year's budget depending on what that is then.

Finance Administrator Nutt stated she will drill down by a five fund summary and begin with the largest fund which is the General Fund. The General Fund revenues come from multiple sources, explained Ms. Nutt. The lion's share being the state shared revenue of 55%. It was estimated that 25% of

the budget would come from city sales tax; 9% from interest earnings (from the money with Stifel); and 6% from franchise fees (which is the APS and cable companies doing business within Star Valley limits). The rest of these are 2% and 1% of the budget making approximately \$50,000.00 of our budgeted income. The Town's goal for these sources of income for the General Fund is 50%. Ms. Nutt started off by thanking Town Manager Grier and Town Clerk Chapin for their creative approach to grant writing. The Town has collected over two times what was expected in the General Fund. The Town had hoped for a grant of \$11,000.00 for the park zip line, but actually collected nearly \$26,000.00 (over double the amount). The interest revenue is a little over 10% of where the Town thought it would be. The city sales tax is in line at 52% and franchise tax (dictated by cable and APS) is a little higher this period than this period last year. Council Member Davis asked for clarification of the city sales tax. Ms. Nutt explained the city sales tax is at 52% and what that means is that the Town has collected \$167,000.00 over the \$162,000.00 that was expected to be collected (a \$5,000.00 difference). The Town has collected \$43,000.00 in franchise tax this year and is in-line, continued Ms. Nutt. Court fines in the amount of \$12,000.00 have been collected – significantly more than the \$8,000.00 collected last year. They aren't big numbers and they really just cover the cost of having a court IGA, pointed out Ms. Nutt. You can also see the impact of the overtime that the grants have provided to the Gila County Sheriff's Office (the increased service). The court also sent over a request that the Town verify the mile markers in an attempt to get the officers to correctly write the tickets between Gila County and the Town of Star Valley.

Finance Administrator Nutt reported the State Shared Revenues are made up of income tax, sales tax and auto lieu tax and are a little lagging from where the Town thought it would be at \$345,000.00 versus \$355,000.00. The Town is dependent on the state to provide the numbers and she finds they are plus or minus 3%. If we look at the \$328,000.00 that was collected last year, we are seeing an improvement. The total revenues collected for the period is \$681,000.00 (operational revenues for the General Fund) – the Town is right on target at 53%. Council Member Davis asked if Circle K is the largest tax revenue generator in Star Valley. Ms. Nutt responded the city sales tax is important to the Town as it made up the 25% in the General Fund budget. She has a slide coming up and will save that question for later. Moving on to the expense side of the General Fund, continued Ms. Nutt – personnel is in line at 53%; operations are at 61%; and capital expenses are at 41%. The capital expense in the General Fund was for the building remodel which came in under budget. The purchased service (the IGA with the court, animal control, law enforcement and auditing service) hasn't been expensed yet. Some things just haven't come in yet and she is comfortable with the 44% as it is on target. The grant monies have been fully expensed in the Town park. The total expenditures are \$481,000.00, reported Ms. Nutt. What that means is the Town has expensed 50% of its budget and has collected 53% of what was expected to be collected for the annual year. Of the 50% that was expensed, 17% went to personnel; operations were 10%; capital project was 7%; and purchased service was 36%. The Town has \$215,000.00 that was collected that was not expensed in the General Fund and currently it is sitting in the fund balance as we continue through the year.

Finance Administrator Nutt stated the Town's additional funds are the Restricted Road Funds and the Water Fund. Ms. Nutt explained she combined the HURF and Gila Excise Tax and the Town has collected 53% of the HURF and 58% of the Gila revenues. Revenues from Gila County are based on home values so that is not as easily predicted as trending reports because she doesn't have access to all the county records. The Town's Interest Income, which does affect the HURF fund, is at 60% versus 50% due to the market being a little stronger than anticipated. Personnel is in line at 52%; operations are slow during the cold season at 24%; and the capital outlay (which are the large budget items) for HURF has gone out in the streets and roads fund. Ms. Nutt reported it is anticipated some more money going out with traditional clean up, etc. The Town did receive one small invoice for the street lights from APS'

engineering department and that affected the capital outlay in the Gila Excise Tax. Overall, the Town has collected \$64,000.00 over what was expensed, which is going to sit in the fund balance for the rest of the fiscal year. Ms. Nutt reported the Water Enterprise Fund is a little bit higher than anticipated to be at 55% with our collections. Personnel is where we expect; operations and capital outlay will pick up a little bit with warmer weather. The Town will continue to do the meter replacement program, so that money will begin to go out as well as grant expenditures. The Town's purchase service with Shaffer Water Management is in line with where it was expected to be at 46%. Currently the fund balance is \$24,000.00 collection and that money will be spent as soon as the weather permits. Ms. Nutt reported the Water Department did begin using the new tiered rate that council approved as well as commercial meter rates on February 1st. Within the first month the billing was approximately \$2,000.00 difference between the increase in February versus January. That will continue to be monitored, concluded Ms. Nutt.

Finance Administrator Nutt reported the interest income was 10% over what was expected in the General Fund and the HURF Fund. The Town has collected \$66,000.00 in the General Fund and \$4,700.00 in the HURF Fund. Ms. Nutt pointed to the graph on her slideshow presentation showing the fluctuation in the market for the six months that she's reporting on. Ms. Nutt explained she uses a trending analysis on a macro level to try and estimate where the Town is going to end up, but it does fluctuate quite a bit. The Town continues to use the ladder investment policy approach and the collections have continued to be strong. Ms. Nutt reported she may have been a bit conservative with the estimation at the beginning of the year. Council Member Rappaport asked why it is so erratic. Ms. Nutt answered it is CD's and it runs off of a secondary market off of the stock market. The Town is so diverse with its CD's that each individual one can be affected differently. Ms. Nutt explained that she's not going to be able to tell council exactly what the market is going to be doing as that's what the Town's financial forecaster, David Long, is for. Council Member Rappaport clarified it's a real diversified ladder CD. "That's correct," responded Ms. Nutt. Each one of the CD's is FDIC insured which means the Town can't buy too much of any one and it is broken up between five different banks across the U.S so no one bank has too much of our business. The Town currently has 4.3 million invested in these CD's that is creating this return and the Town will continue to increase the investment. Some of the increase in investment return is due to the Town's increase in its investment in the pool, concluded Ms. Nutt.

Ms. Nutt reported the City Sales Tax makes up 25% of the Town's local collections. Currently the retail, residential rental and utilities make up 70% of the collections. Ms. Nutt pointed out she can't answer specific questions about specific businesses. What she is allowed to share of the information from the Arizona Department of Revenue (ADOR) is limited outside of the realm of collection. She can't tell council specifically what businesses they are or specifically how much they contributed to the Town's overall income. Ms. Nutt explained, with the Oracle software that council approved for her use, she can make sure people are reporting and reporting correctly. It will also help the Town with any kind of collections. Over the years, reported Ms. Nutt, she has made numerous audit requests to the ADOR based on information they provided to her and information provided from Oracle software. The ADOR has similar requests from every single city and town in Arizona and they only have 26 staff members. She still hasn't gotten an audit – it is a slow, painful list and she is not crawling up any time soon. Ms. Nutt reported it was brought to her attention at one of the legislative events she attended that Al Holler & Associates is a firm in Arizona that is contracted with ADOR to provide audits to cities on the department's behalf. She has sent a list of businesses to Al Holler & Associates that she feels aren't reporting, aren't reporting correctly, or are under-reporting. They are reviewing the list and tax documents to decide if it is worth the cost it will take to chase it. They will come back with an answer and estimate for doing so and what is expected to be returned of uncollected or underreported taxes for the Town. Ms. Nutt stated she is hoping the answer is "yes" and they will provide a flat rate fee that is

tolerable. Ms. Nutt added, she is very hopeful that Al Holler & Associates will be the Town's solution for collecting and having voluntary compliance in Star Valley. Council Member Rappaport stated she thinks it is a great thing as a buffer. Ms. Nutt responded by state statute she is not allowed to do audits of businesses and that she can only request them from the ADOR. Council Member Davis questioned the collection of \$2.62 for amusement and if Ms. Nutt had any idea what that amusement is. "No," answered Ms. Nutt. Keep in mind the Town also collects from online sources, added Ms. Nutt.

Finance Administrator Nutt reported the Town is in a good financial position. It gets tricky when there are good years and good numbers – there is a lot of spending and a tendency to spend. Finances and the budget are a really big ship and once you set sail on a large budget it is really hard to turn that ship back around. This is something that Town Manager Grier's model for the Town has really tried to avoid – the pitfall of spending too much money, getting too fat and sassy during good times. With the Town's financial model, warned Ms. Nutt, we do have to be careful because our management model does have pitfalls. The Town relies on IGA's with other entities. If one of these IGA's becomes exceptionally expensive, or that agency is no longer able to fulfill it, the Town would have to look for another agency to take on that work or hire staff to do that work specifically (such as the Building Department). That's an expensive option, stated Ms. Nutt. The Town's revenues are fixed, and we collect from the sources we collect from now and that's going to be a fixed spot. The Town always has to look to continue to spend below its means so that if one of these situations comes about, a solution can be found for it so as not to have to make any drastic cuts. Ms. Nutt reported PSPRS, the retirement fund for first responders, is in trouble. That cost could be passed to the Town in the form of the IGA's for how much it cost for law enforcement, court personnel and even some of the building expenses if the Town of Payson becomes in trouble with their management model. The Town is always open to having one of the IGA's becoming much more expensive. While the Town may be in the black now, any one of these IGA's could really affect any one of the Town's funds drastically. That will be kept in mind as we move forward with our modeling and forecasting, concluded Ms. Nutt.

Finance Administrator Nutt stated the Town is in a good position with high revenues, the state and national budgets are healthy, home prices are up, unemployment is low, and we are expecting to continue to have this good financial report for a while. That doesn't make the Town infallible – we need to make sure to keep something behind for increases in contracts or if there is any kind of need to replace staff. The Town will continue to monitor some of the financial aspects and specifically the city sales tax, interest income from the investment with Stifel and also the individual line items. Ms. Nutt reported that while the Town is only at the half way mark with the open year, the process of the next budget will soon begin. We will continue to be frugal on the line item expenditure portion of the budget but also be conservative with revenues and what we see coming in. So, if any of these pitfalls come along, staff will be able to advise council of how it's going to be handled. Staff will also be talking about projects and what is hoped to be accomplished. Ms. Nutt reported she will have another quarterly update for council after March 20th.

Council Member McDaniel asked if one of the IGA's becomes more expensive does the Town just accept that or search for an alternative. Ms. Nutt referred this question to Town Manager Grier. Town Manager Grier replied that PSPRS has huge problems and is in huge trouble. Town staff is on a different retirement fund called ASRS. One thing that saved the Town with its fiscal position is that we don't have a fire department or a police department. So, we don't have the burden that cities and towns are looking at as far as this unfunded liability with their public service retirement fund that is upside down in the billions of dollars. Mr. Grier reported that the PSPRS problem was addressed at his recent conference in the "Manager's Corner" as to how cities and towns were going to fix a terribly mismanaged fund. The only hope that cities and towns have is to add employees to fund the employees that are retiring. That's

all good and well in a robust economy, but during a recession cities and towns will decrease the number of employees and they won't be able to buy their way out of the PSPRS problem. Mr. Grier stated he thinks cities and towns live in the good times and don't prepare for the hard times. The Town does not have very many options with the IGA's and the big IGA is with the Gila County Sheriff's Office. It is unfortunate that the PSPRS system has gotten screwed up so badly and they still can't find their way out of it. That is one of the red flags we have to worry about going forward, pointed out Mr. Grier. There are no options, because any of the options are other agencies that have the same PSPRS issue. The Town has looked into its own police department but that is not going to help because then we would be buying into the PSPRS problem. Mr. Grier recommended the Town proceed more cautiously in its spending. When considering a project, we must ask ourselves two questions: Can we afford it? What are the risks going forward that would possibly deplete the fund reserve? It's very possible at some point Gila County will say Star Valley needs to share in the huge PSPRS burden, stated Mr. Grier. Council Member Rappaport commented that the Town sure doesn't want to have an IGA with Payson. Mr. Grier responded the Town has several with Payson and they work out very well. Part of the Town's product of success is being able to contract out with the Town of Payson for Building Plan Review. Council Member Binney stated it sounds like incompetence and asked who's being fired for not doing their job. Mr. Grier responded he doesn't know that much about who's not doing their job with the PSPRS or how it will be fixed. It's not a problem that's going to bring us down but it's a problem that will likely make the law enforcement IGA somewhat more expensive.

Town Manager Grier applauded the value of an excellent presentation from Finance Administrator Nutt. Municipal budgets are not easy to understand but are the foundation of good decision making. Mr. Grier stated he encourages council to come in when they have questions. The fiscal position of the Town is where council needs to start when deciding at the table. Vice Mayor McKinney asked for confirmation that there are zero expenditures for the water project grant. "Correct," answered Ms. Nutt. The Town has not yet begun breaking ground on the project as it will be a spring project. Vice Mayor McKinney questioned if he could anticipate, weather permitting, the project will begin and be done fairly rapidly. "It should," replied Ms. Nutt. The Town is digging up and replacing some aged mainline and some small undersized pipe. It's not a very big project and should go very quickly, weather permitting. Mr. Grier added the Community Development Block Grant money the Town has enjoyed since incorporation has been used for capital improvement projects for the Water Department. That funding has been cut by one third, reported Mr. Grier. It was \$260,000.00 or \$280,000.00 and is now \$86,000.00. That reduced funding with CAG is going to continue for the Town. It will be the equivalent of \$43,000.00 a year for capital improvement projects with the Water Department and whatever the Town needs to put in will come out of its pockets such as the state shared revenues and city sales tax. When forecasted out that is a big, big number. Mr. Grier questioned: What fiscal approach does council have? How conservative does council need to be with the fund reserve? It's a big factor that council needs to consider. The revenue that the Town once enjoyed for capital improvement projects that has been historically put into the Water Department has been cut by one third.

Town Manager Grier stated he would like to sum up two points that were discussed: a possible increase in IGA costs due to the PSPRS problem and the decreased revenue from CDBG money with capital improvement projects. Two reasons the Town needs to still be careful. Since the inception of the Town there has been discussion about where the fund reserve should be, and those are just two reasons, and there are likely more, where he would encourage council to be conservative with the fund reserve. There are things that can happen that can't be foreseen that can be very expensive. Mr. Grier encouraged council to use this as a management policy making tool that provides good information in order to make good decisions. Council Member Davis thanked Ms. Nutt and Mr. Grier for putting together a very

detailed financial plan for the Town. Council Member Binney asked for confirmation that the Town gave just under \$1,700.00 to the bus. Ms. Nutt answered the cash went out in this quarter, but it was actually expensed backed to the previous quarter as the Town hadn't been billed. Vice Mayor McKinney stated he makes a point of seeking out officials from other small towns like Star Valley when attending the League Conference. Last August, when conversing with officials from a town about twice the size of Star Valley, where we have approximately one employee for every 1,000 people and a huge sack of money, they were broke and they had better than an employee for every 100 people. Vice Mayor McKinney stated he is so proud of the Town and how careful we are with taxpayer's money. Town Manger Grier responded it should make him feel good and it is something to be proud of. Council Member Binney stated Town staff makes our job extremely easy. Council Member Davis added staff makes it easy for council to make decisions. Town Manager Grier responded staff appreciates that. Not only this council, but prior councils deserve credit as well. We are a very, very small Town and we are starting to be recognized from other towns and cities as a model town. We always have to work on that, it doesn't happen by accident, concluded Mr. Grier. Mayor Coon stated one of the most important points he got out of this was don't base your finances on a rosy economy. The Town is conservative in that respect and that is very important.

- **COMMENTS FROM THE PUBLIC**

During this portion of the meeting, members of the public may address the Town Council on items that are not on the printed agenda. Any remarks shall be addressed to the Council as a whole and not to any individual member. Speakers are limited to three (3) minutes per person unless additional time is granted by the Mayor. The Council may not discuss or act upon matters raised during public comments.

The Mayor opened this portion of the meeting up for public comments.

There were no comments and the Mayor closed this portion of the meeting.

- **ADJOURNMENT**

A motion to adjourn the meeting was made by Council Member Davis and was seconded by Council Member Armington.

The motion was voted on and passed 7 – 0.

APPROVED:

Gary Coon, Mayor

Date: _____

ATTEST:

Edie Chapin, Town Clerk

CERTIFICATION:

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the regular meeting of the Town Council of the Town of Star Valley held on the 4th day of February 2020. I further certify that the meeting was duly called and held, and that a quorum was present.

Dated this 7th day of February 2020.

Edie Chapin, Town Clerk