

**MINUTES OF THE WORK-STUDY MEETING OF THE  
COMMON COUNCIL OF THE TOWN OF STAR VALLEY**

**Tuesday, January 17, 2023  
3675 East Highway 260, Star Valley, AZ  
(Star Valley Town Hall)**

- **CALL TO ORDER**
- **ROLL CALL**

**Present: Vice Mayor McKinney, Council Member Armington, Council Member Binney, Council Member Dueker, Council Member Highstreet, Council Member McDaniel, Mayor Davis.**

**Town Manager Grier, Finance Administrator Woody and Town Clerk Chapin were also present.**

- **PURPOSE OF MEETING:**

- 1. First Work-Study Meeting. Financial Report presented by Finance Administrator Woody and Town Manager Grier. The Mayor may open the item for public discussion, following a presentation from Town staff and a questions and answer session with the Council.**

Town Manager Grier began by providing a brief explanation of the statutory requirements of conducting work-study sessions. Open meeting laws still have to be followed and deliberation needs to be narrowed to an agenda item. This is so the public knows what is going to be discussed. A work-study session is different in that you cannot make a decision. It is a bit more relaxed so ideas can be shared. What we are trying to accomplish, explained Mr. Grier, is to have a series of work-study sessions. Our work-study sessions have been fashioned to have different subjects – tonight’s subject is finance. The second session will be water as the subject with Water Operator Dean Shaffer in attendance. The third session will be all things streets and roads as the subject with Roy Haught in attendance. The last will be a session to circle back around and try to put together a three year plan. Anything longer than three years, stated Mr. Grier, is too difficult to predict. When the series of work-study sessions is complete, the council will have a good understanding of what direction they want to go and what projects they want to do. There are many parts to understand first before making a decision. Mr. Grier stated he will try to facilitate through the work-study sessions more than anything else, and listen to what council wants to do, because his job is to implement the directive of the legislative body.

Finance Administrator Woody explained that her goal is to provide council with enough financial information so they are able to evaluate and determine what the Town’s preservation and development should be. Ms. Woody explained that the talking points will be Accounts Payable Check Register, the difference between Cash and Fund Balances, Actual to Budget Comparisons for each of the funds, Revenues (Trends and Sources) and Street Maintenance. Ms. Woody began with the Accounts Payable Check Register that is provided to council in their council books for every council meeting. In the past, pointed out

Ms. Woody, council received and reviewed the Unpaid Invoice Register. Council now receives the actual Check Register, which allows them to see money going out. It is also an additional safeguard against fraudulent activity, informed Ms. Woody, by reviewing for missing check numbers. A missing check number is going to be an indication of fraudulent activity. If you see something that looks out of the ordinary, like a large amount, that is another indication to ask questions. Council Member Binney asked if there is any way a description could be added. Ms. Woody responded that she could possibly make that change to provide a description.

Finance Administrator Woody then went on to explain Cash Allocations & Balances. The Cash Allocations represent the breakdown of the Town's actual cash. Each fund has a cash balance, and the money is held either in the checking account or the water fund. The cash on hand breaks down as: 2.2 million in the General Fund; HURF and GRDX (restricted funds for streets and roads) is a little over 2 million; the LTAP (Local Transportation Assistance Fund) is \$19,000; the Judicial Collection Enhancement Fund of \$160,000 belongs to the Magistrate Court and Star Valley doesn't have any control over it; and the Water Enterprise Fund is running in the red at a negative \$383,000. That is the result, reported Ms. Woody, of an adjustment of start-up costs and the fact that the water department is running in the red. As it is running in the red that number is going to keep on changing until it starts going in the positive and will eventually come down. All of the Cash Allocations equal the checking account of 4.1 million and balance with the check register. The Water Checking Account has \$153,000 in it. The water is its own separate entity, pointed out Ms. Woody, which is why it's not included in the General Fund. The Town has over \$70,000 in a regular savings account and Certificate of Deposit ("CD") investments of five million.

The CDs are all on short-term maturity dates, reported Finance Administrator Woody, of no more than five years. The Town won't lose anything as long as we wait for them to mature. The interest is recorded on a regular basis. We do have to recognize what is called an unrealized loss. It does not mean the Town lost anything because we are not cashing in the CDs until their maturity date. Queried Council Member Highstreet – Do we have multiple CDs or do we have one lump CD? Multiple CD's responded Ms. Woody. Some two hundred and fifty separate CDs added Town Manager Grier. Queried Mayor Davis – Are the two hundred and fifty CDs at multiple banks or just one bank? The CDs are FDIC insured at multiple banks, answered Mr. Grier. That is required by statute. The Town is also fiscally limited to what it can invest in. As a financial strategy, explained Mr. Grier, the CDs are laddered for liquidity reasons. He thinks it is most important for council to understand it is really a liquidity question of when that money is going to be available so if you have your capital improvement project list you stagger that to match up with some of those funds that are available. Vice Mayor McKinney asked if the GRDX is hindered. It is restricted to streets and roads, answered Ms. Woody.

Finance Administrator Woody stated she would like to discuss the difference between a Fund Balance and a Cash Balance because it is very important to understand the differences. When a government entity collects more money than it spends in a year, explained Ms. Woody, it is called a Fund Balance. By definition, a Fund Balance is the amount of which assets are greater than your liabilities. An asset can be investments, cash, a building, furniture and fixtures. A liability is money that is owed to other people such as taxes, bills, and even water department customer security deposits. The difference between the two is what a Fund Balance is. Ms. Woody pointed out that comparing the Fund Balance from June

30, 2022 to the Fund Balance of December 31, 2022, everything has been increasing. The Town is right on track, reported Ms. Woody, minus the Water Enterprise Fund. It is a little down and is eating up its Fund Balance a bit.

The Town, reported Finance Administrator Woody, budgeted \$2.2 million in revenues. So far, we have collected more than half of that. Most of our revenues come in from shared state taxes. We are right on track with our revenues, and we are actually bringing in a tad more than what we projected. Ms. Woody reported that the \$1.7 million budgeted for administration includes the \$1.1 million contingency fund. To date, reported Ms. Woody, we have spent \$52,000 at the Star Valley Community Park. We only budgeted \$46,000 so we are a little bit over due to the additional playground equipment that was approved after the budget process. The Town has only spent \$584,000, which is twenty five percent of the budgeted revenue. Concluded Ms. Woody, we are coming out ahead in net revenues over expenditures at \$675,000.

Finance Administrator Woody then moved on to Actual Comparison to Budget for the Water Enterprise Fund and HURF/GRDX. The Town, reported Ms. Woody, budgeted \$256,000 for Water Revenues. We are at \$107,000 – a little shy of reaching our budget. In her opinion, stated Ms. Woody, that budget is a little bit too high for what we are actually going to do so she will be taking a look at that next year during the budget process. We applied for a federal grant in the amount of \$891,800, reported Ms. Woody, which was budgeted in just in case it came in. The Town received CDBG funds of \$120,000 which were used for the Milky Way project. In the expenditures we have capital improvements at \$309,000 with a budget of \$1,028,700. That is so off because we wanted to have the budget authority to spend the federal grant money in the same year we received it if it came in. The \$309,000 spent in capital improvements includes the completed SR260 and Milky Way water projects. We are coming in at a negative net revenue over expenditures of \$228,380. Even if we took out the capital improvements, we would still be bleeding red in the water department. Ms. Woody stated she thinks the Town may need to take a look at our pricing versus expenditures and see what we want to do. Queried Mayor Davis – We haven't raised the rates yet on water, have we? "Correct," answered Ms. Woody.

The Town budgeted \$552,000 for our streets and roads (HURF/GRDX), reported Finance Administrator Woody, and we have collected \$286,000 from state shared taxes. We are right on track there. To date, we have spent about \$68,000 in street maintenance and improvements. There is \$1.5 million budgeted for street maintenance and the reason for that is there is over \$2 million dollars sitting in HURF and GRDX. Those are restricted funds, pointed out Ms. Woody, and can only be spent on streets and roads. Net revenues over expenditures is coming in at over \$192,000. Mayor Davis asked if the HURF and GRDX is what the Town would use for road maintenance and upkeep. Town Manager Grier responded anything streets and roads would come out of HURF and GRDX. Queried Council Member Highstreet – What if we do a project that exceeds the funds that we have in the HURF and GRDX? It could be taken out of the General Fund, answered Mr. Grier. Ideally we don't want to do that, stated Council Member Highstreet. We could do that, added Ms. Woody, but we do not want to do that.

Finance Administrator Woody explained that she created a three year history along with a simple and conservative three year projection of revenues. The three year projection will show close to what we will be bringing in. In 2022 we have \$108,000 sitting in other revenues and then it bumps up in 2023 to \$445,000 and then it goes back down for 2024.

What we are seeing, explained Ms. Woody, is the auditor's adjustment on the CDs of the unrealized loss for that year. To be able to make good decisions on spending, stated Town Manager Grier, council will need to be able to answer some questions – What are revenues? How dependable are they in the next three years? We need to know what our revenues are going to be and how reliable those revenue projections are in order to project out what projects to do in the next three years. For the most part, added Mr. Grier, we think our revenues are going to be stable with a possible modest increase. Ms. Woody reported that she put in a modest increase of 2.2% because that is what the average has been in the past. She is aware there will be some changes coming in, added Ms. Woody. Mayor Davis asked why the Fines and Penalties for 2019-2020 was so large at \$20,000. Most of that comes from civil tickets, answered Mr. Grier. It used to be a very significant line item for the Town when we had photo enforcement in place. Part of where we are at today was from prosecution of photo enforcement. That revenue source has gone away, concluded Mr. Grier.

Finance Administrator Woody continued on to the Restricted Funds. The interest bearing under the HURF, pointed out Ms. Woody, is at a negative \$23,000. That was due to an unrealized loss until it changed in June 2022. That will change going forward. She is predicting that the Water Enterprise Fund will be at \$215,000/\$218,000 going forward. The big jump from the previous \$230,000 was due to some accounting errors. Ms. Woody moved on to Streets and Roads Projection. The Town, reported Ms. Woody, has over two million dollars to spend on streets and roads. That number is growing as the expenditures for that particular fund are about forty percent of the budget that we are bringing in. Sixty percent of the revenues coming back is adding back into that fund. That two million is going to keep growing. Ms. Woody pointed out that it would be beneficial for Star Valley to start looking at streets and roads projects. Council Member Dueker asked if HURF Funds could be used to partner with ADOT to install flashing light crosswalks. Town Manager Grier responded that he does not know the answer to that. Ms. Woody reported that most of the streets and roads improvements were patchwork, but also included the pavement around the mailboxes. She has projected, reported Ms. Woody, \$130,000 for keeping up with streets and roads. Queried Council Member Armington – Does that include snow removal? Mr. Grier answered it includes snow removal, pot holes, granite removal, patches where roads were sinking and a handicap ramp on Cedar Mill. Council Member Highstreet asked if it includes ditches. Sometimes, responded Mr. Grier.

Council, stated Town Manager Grier, needs to understand revenues and expenditures. Some questions to ponder: What is the fund balance going to be? What is council comfortable to have in the fund balance? Can we do this project and maintain that number? Do we stagger out projects to maintain that number? There is value, stated Mr. Grier, in handing off a sound fiscal Town to the next council. It is important to remember that we are here to provide services. This is council's opportunity to have a stamp on Star Valley. In the past we were dictated by need. We are now at a place with viable options – the benefit of good work that past councils have done.

Town Manager Grier stated that Water Operator Dean Shaffer and Streets and Roads Contractor Roy Haught will both have wish lists for their respective departments. The Water Department is bleeding red. Questioned Mr. Grier – Is that something we are okay with or is the Town subsidizing the Water Department too heavily? The Town, stated Mr. Grier, is in a good position to pick projects. Throughout the Town, reported Mr. Grier, there are roads with crumbling edges and precipitous ditches. These are things that will require our

attention. He knows the budget is confusing, disclosed Mr. Grier. It is an expenditure based budget which means that you come up with a number and you cannot spend over that number. Queried Council Member Highstreet – How much do we typically receive annually for HURF and GRDX state shared revenues? About \$500,000, answered Ms. Woody. Mayor Davis stated he likes the Work-Study Meetings because it gives council an idea of where the Town is at financially and it will definitely help council make project decisions. Council Member McDaniel asked how the Town came to do the wheelchair ramp. The man in need contacted Town Hall, responded Mr. Grier. Council Member McDaniel asked if there was anyone else that would benefit from something like that. Not that we are aware of, responded Mr. Grier. The presentation and questions/answer session concluded.

- **COMMENTS FROM THE PUBLIC:**

There was no public in attendance.

- **ADJOURNMENT**

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

**APPROVED:**

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**Bobby Davis, Mayor**

**Date:** \_\_\_\_\_

**ATTEST:**

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**Edie Chapin, Town Clerk**

**CERTIFICATION:**

**I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Special Work-Study Meeting of the Town Council of the Town of Star Valley held on this day, the 17<sup>th</sup> day of January 2023. I further certify that the meeting was duly called and held, and that a quorum was present.**

**Dated this 25<sup>th</sup> day of January 2023.**

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**Edie Chapin, Town Clerk**