

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

**Tuesday, April 4, 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:**

Fifth Work-Study Meeting. Discussion on the five questions presented at the March 7th meeting. Mayor Davis will facilitate the Work-Study Session.

The council has been talking about this for quite some time, stated Mayor Davis, and hopefully we can come up with some ideas tonight and can all agree on things.

1. What do you want your minimum cash fund balances to be?

Mayor Davis stated he would like to go around the table and get everyone's thoughts, starting with Council Member Binney because he has the most experience. Queried Mayor Davis – What kind of reserve would you like? Council Member Binney responded he thinks the Town only needs a year or two reserve. The problem is we can't spend that kind of money and if we get in trouble we may need the money. What we have done in the past has been phenomenal. Right now, informed Council Member Binney, the Sweep account gives us another \$180,000 to \$200,000 a year. He would rather see the money in the laddered CDs moved to the Sweep account. It is more liquid and it is not in a government name. Between the two of those, stated Council Member Binney, we are coming close to the operating expense for the Town, not counting the police department. We need one or two million to operate this town with no income, just on our investments. If we put another ten years' worth in we will be in a place where we don't need taxes. Right now, informed Council Member Binney, we are one of the few cities in the state that doesn't participate in a property tax. That is a big savings for the public. The county still taxes us, stated Council Member Binney, but there is nothing he can do about that. He thinks we should just keep doing what we are doing. The Town has the money if a major expense pops up. He would rather invest the money so eventually we don't have to do taxes. Then the Town can start spending all of its income on the public, concluded Council Member Binney, if we can do it.

Vice Mayor McKinney stated it cost \$1,122,000 to run the Town last year. If we set aside \$3,300,000 that would give us three years of operations with no income and he thinks that is plenty. There is no reason we can't keep that in the Sweep account, expressed Vice Mayor McKinney. That is another \$180,000 a year in our coffers that we would not be getting

otherwise. Vice Mayor McKinney suggested keeping our drop dead funds in the Sweep account at \$3,300,000. It's unlikely that we will ever not have any income. Having three years set aside should be more than adequate. He thinks Council Member Binney is right, it is going to be hard to spend as much money as we have in a productive way. \$3,300,000 is what he thinks ought to be kept in the basket, concluded Vice Mayor McKinney. The HURF fund alone is over two million dollars, responded Council Member Binney. So you would only have a one year operating fund for the Town. It should be five million dollars, concluded Council Member Binney. Council Member Armington stated he is with Council Member Binney. He thinks what the Town and Town Manager Grier have been doing with the money has been fine. We currently have 4.5 million dollars in the Sweep account which is going to produce some income. That gives us at least three years. As the CDs mature, recommended Council Member Armington, we should evaluate whether to reinvest the money or put it in the Sweep account, depending on what is paying more at the time. Council Member McDaniel stated she agrees with that as well. She likes the liquidity of the Sweep account and having the accessibility to it. If not, it is also nice to put the money in CDs to make money for the Town. Having it in the sweep account seems like the best position for it right now, concluded Council Member McDaniel. Council Member Dueker stated he agrees with Council Member Armington.

Council Member Highstreet stated he agrees with everyone, for the most part. His only concern is the HURF fund. It would be nice to use a little bit of it, stated Council Member Highstreet. Maybe up to fifty percent of that over the next three to five years on some of the impending road maintenance. Streets are expensive and he thinks we need to spend a little bit of that, concluded Council Member Highstreet. The Town spends HURF money every year, responded Council Member Binney. Roy takes care of the roads and we don't have very many potholes. He keeps all that up and we still put money away in the HURF fund. If we ever need it, concluded Council Member Binney, it is there. Queried Council Member Binney – Does the HURF interest have to go with the HURF account? “Yes, it absolutely does,” responded Finance Administrator Woody. Even though all the money is clumped into one checking account, explained Ms. Woody, she has to go back and take a percentage of the cash allocations for each one of those funds and she will be putting those interest funds into each one of those funds. Mayor Davis stated he agrees with the council. He thinks this has changed a lot since finding out about the Sweep account because, initially, we were trying to decide what we were going to do with the money. The 4.5 million dollars we have in the Sweep account, reported Mayor Davis, can make us \$15,700.00 a month. That, to him, is a no brainer. Mayor Davis stated he thinks the Town needs to watch it with the laddered CDs because we are limited to what can be made on those. He feels like there is a consensus of keeping the money in the Sweep account. If worst comes to worse, concluded Mayor Davis, we could get that money.

Mayor Davis asked Town Manager Grier if he is okay with that. When we started getting into this, responded Mr. Grier, he thought that there would be criticism of his performance as the Town Manager. That he might be too conservative and the money that the Town has should be spent on services. After all, that is why we are here, to provide services to the community. There are also reasons to be cautious, informed Mr. Grier. We've talked about one-time revenues with photo enforcement and COVID money. We are glad that we found the Sweep account but we also have to remember that it probably isn't keeping up with inflation. When you balance those two things out, we have some protection with the interest on the Sweep account. Certainly, acknowledged Mr. Grier, we will monitor the CDs. If we have CDs that pay more than 4.25% and we are not concerned about the liquidity with a certain amount of money, then

we still look at CDs. Mr. Grier stated he thinks the Town has to be cautious about the State Shared Revenues because a decrease in revenues will take effect in 2026 due to a legislative bill. If we continue to find, in somewhat tumultuous economic times that we all face right now, that the sky really isn't falling, we can always spend. Mr. Grier stated he thinks it is more difficult to dig out of the hole if you spend too much. He also agrees with Council Member Highstreet to be more aggressive with streets and roads projects, concluded Mr. Grier.

Council Member Binney stated he would put a warning in on the CDs. All of the banks were getting in trouble because they sold all these bonds at a loss because they were forced to sell them for liquid. We don't have any bonds, responded Town Manager Grier, we have all CDs. Our investment strategy, explained Mr. Grier, is liquidity, interest bearing and safety. That is what we are looking at when we choose investment vehicles. We are limited because we are the government and by statute we are limited to the investment vehicles. Our investment strategy is a very careful one and is greatly limited as far as what investment vehicles we have available to us. Vice Mayor McKinney asked where the HURF money resides today. In the Sweep account, Finance Administrator Woody responded, making money. The big difference with the Sweep account is that every penny that we have is interest bearing, reported Mr. Grier. Mr. Grier asked Ms. Woody if there was any money that is not interest bearing. Everything is interest bearing other than the water department, answered Ms. Woody. The Sweep account is a big advantage for us, explained Mr. Grier, because it is completely liquid and the Town is earning 4.25%. The big challenge with the CDs is the liquidity and planning becomes more difficult for the council and management. Mayor Davis stated he is pleased with the Sweep account.

2. How would you like to approach the asbestos/concrete (older pipes) replacement issue?

(a) A staggered replace program over a period of () years?

OR

(b) Look into a WIFA loan?

Mayor Davis stated the council has had discussions about both of these options. Council Member Binney stated he likes the first option. If we did this all at once, explained Council Member Binney, we would have all the road repair all at once. He suggested spending \$150,000 to \$200,000 a year starting with the oldest sections of pipe. If we get in trouble we could apply for a WIFA loan or we could pay cash out of the bank. He's not in favor of a WIFA loan at all, acknowledged Council Member Binney. Council Member Dueker responded HURF funds could be used for the road repair. The advantages of taking out a WIFA loan, stated Vice Mayor McKinney, are so overwhelming that we really have to do it. With a WIFA loan we take out the amount of money we need for the project and at some point in the pay back process they waive \$500,000. It would be a shame not to take advantage of that. If we take out a WIFA loan, added Vice Mayor McKinney, the bank account will stay intact. In the mean-time, the pipes that need replacing will be replaced. We also don't have to pay back everything we borrow. That seems like a win-win for the Town of Star Valley, concluded Vice Mayor McKinney.

Town Manager Grier commented he initially thought the WIFA loan made all the sense in the world. You look at \$500,000 being forgiven and then an additional \$50,000 provided for engineering. Where that started to fall apart, upon staff analysis, is you can't start that ten years until the project is finished. The math works out if you are looking at what is forgiven and the engineering assistance with the interest over the course of ten years, but not if it is longer.

Where the money does cost us, explained Mr. Grier, is having the period when we are putting the pipes in the ground. He was initially excited about the WIFA loan until finding out about the amount of interest it would cost the Town. The math doesn't work as well when it is an extended period over the ten years, concluded Mr. Grier. Is he correct in understanding, asked Mayor Davis, the Town wouldn't start making payments until after the project was completed. "Right," answered Mr. Grier, but we would be paying interest. Queried Council Member Armington – If we did do a WIFA loan we would be obligated to 3% or 3.1%? It was estimated at 3.1%, answered Finance Administrator Woody. Queried Council Member Armington – Is that locked in or is it variable? It is locked in and not variable, answered Mr. Grier. The one thing that bothers him about it is that the Town has been debt free since incorporation. The council still has an opportunity to continue to be debt free and not hand off \$2 to \$3 million of debt to the next council, concluded Mr. Grier.

Council Member McDaniel stated she thinks the appeal of the WIFA loan is that it would quickly bring the water system up to date and minimize any potential problems. It sounds nice, but she does not like debt and she would recommend the staggered replacement program. Council Member Dueker stated he feels the same way. He doesn't like debt and doesn't want to turn debt over to the next council. His suggestion is to do it on a yearly basis and replace the old pipes first. HURF funds, concluded Council Member Dueker, could be used to do the asphalt work to repair the roads. Council Member Highstreet stated he thinks cash is king and he has a really hard time considering taking out a loan when it is obvious that the Town has the cash available to do it immediately. Plus, added Council Member Highstreet, he would hate to pass on debt to a future council. If we are looking at a two million dollar project, stated Council Member Highstreet, he says pull the trigger and get it done as soon as we can. The longer we wait the more expensive it could be in terms of more damage and construction costs. He thinks the sooner we do it the better and suggested doing it over a two to three year period. The Town should use the appropriate HURF funds for the street repair, concluded Council Member Highstreet, to help balance off those costs. Council Member McDaniel pointed out to keep in mind that she thinks the threshold for the Sweep account is five million dollars. They made an exception for the Town at 4.5 million dollars. If we bulldoze that down to two million the Town might not have that opportunity, concluded Council Member McDaniel.

There is not an urgency in replacing the pipes, clarified Town Manager Grier. The engineer and water operator both believe it could be staggered over a ten year period. These old pipes, added Mr. Grier, have not been failing. If the council decides not to go with a WIFA loan, stated Mr. Grier, the million dollar question is – How is the Town going to pay for that? Water rates, answered Mr. Grier. It is either a WIFA loan or raising water rates and picking a ten year plan of \$150,000 to \$300,000 a year to start replacing those pipes. Mr. Grier stated he thinks it can be done over a ten year period and if pipes start breaking the process can be speeded up. Mayor Davis stated he was pushing towards the WIFA loan before more information was found out. He does not like debt either, added Mayor Davis. It sounds like the council does not want to go with a WIFA loan but is ready to look at a five or ten year plan. Our water specialists tell us we could do it over a ten year period of time and we could plan it out. Mayor Davis asked if everyone is in agreement with that. Council Member Dueker recommended to start planning for those ten years. Council Member Binney commented it doesn't have to be done in ten years, but as needed. Council Member Highstreet stated he thinks the Town needs to be a little pro-active and not wait until something breaks. The Town needs to come up with a strategic plan, concluded Council Member Highstreet.

3. Do you want to move forward with the two 25,000 gallon water storage tanks at the Circle K well site?

Council Member Binney stated he is against this one, although he agrees that water storage is good. The Town has two 25,000 gallon tanks at the Milky Way site and two 25,000 gallon tanks at the Quail Valley site – that is 100,000 gallons. We also have the Knolls well and on top of that we have a line tied in to Payson for emergencies. Council Member Binney stated he thinks most of the money should go to the infrastructure of the pipes themselves. He recommended finding a hill to put the tanks on so the Town does not have to pay for pumps and electricity. Mr. Grier responded that he asked the engineer and water operator if there was going to be value to our water system by adding the storage tanks. The engineer and water operator, reported Mr. Grier, both agreed there is good value in it. We provide potable (drinking) water and not fire protection. Questioned Mr. Grier – What opportunities may we have with our water system to be a community that has better fire protection.? Do we need to look at opportunities to have not only potable water but also to increase fire protection with our water system? Mr. Grier stated he thinks the two tanks would probably do that. The two tanks are also a good fit with the CDBG money coming up. We could conceivably spend the CDBG money on water line replacement as well, concluded Mr. Grier.

If we put two tanks in at the Circle K well site, explained Council Member Binney, we are going to have to put the pump system in too. If we were to put one of the tanks at the Milky Way site, which was designed for three tanks, the pump system and everything is already there. Council Member Binney stated he doesn't remember if there is room for a third tank at the Quail Valley site. There are a lot of customers on that side with the two RV parks, responded Town Manager Grier. Queried Mr. Grier – Why would that save the Town money? Because we wouldn't have the pump system going in with it, answered Council Member Binney. The tanks are never going to be cheaper than they are today, commented Vice Mayor McKinney. The Town has ample funds to take care of it and the grant fund money is coming. The tanks seem to be a natural fit, concluded Vice Mayor McKinney. Council Member Armington asked if it were ever decided which side of the creek the tanks would be on. The garden side, responded Mayor Davis. Council Member Armington recommended checking into keeping the tanks in a common location. The key question to ask the engineer and the water operator, stated Council Member Binney – What is more indispensable, repairing the water lines or those tanks? Mr. Grier stated he would have the engineer and the water operator available at the next meeting. What he hears, concluded Mr. Grier, storage is always good.

Council Member McDaniel stated she thought the water operator said the benefit of having the tanks in different areas was to balance the pressure and the demand on the lines as a whole. If we put one tank at Milky Way and one tank on Moonlight, questioned Mayor Davis – Would that still give us the same control across on the other side of the 260? We could bring a water line down off of the main tank, commented Council Member Binney, and tie it in there. Questioned Town Manager Grier – Tie a line for the Knolls water? We've got a line already across under that street. The Town would not be picking up 50,000 gallons doing it that way, added Council Member Binney. Our achilleas heel with our water system, explained Mr. Grier, has always been back up to the Knolls. He is not sure about taking water from the one place that we have identified as being the achilleas heel of our water system. We have PW1 and PW2 that are big boy wells and that bring water down. What he is hearing from both the engineer and the water operator is that the two storage tanks at the Circle K site is the way to go. Our projected

revenues over expenditures for the coming year would allow us to do those projects and not dip into our reserve funds, concluded Mr. Grier. Council Member Dueker stated fire is his big thing. If we get a major fire we need to be able to pull water quickly. It seems like the two tanks would be a necessity. Council Member Dueker asked Council Member Highstreet what he thinks of the two tanks at the Circle K site as a backup for fire. From a fire flow perspective, answered Council Member Highstreet, it completely makes sense. Things that have to be considered when operating on fire ground are – Where are you going to get your water from? How fast can you get water to the incident? The closer you have a hydrant, the better. The last he remembers Star Valley has 83 hydrants. If an incident occurs, explained Council Member Highstreet, you want a water source close by because you will burn through water fast. The goal being that you want the most amount of water closest to the fire as possible. Council Member Highstreet stated he does think Circle K would be good for the storage tanks because the Town needs something on that side of the Highway. We should consider that anytime we install a new tank we should stub out for a fire hydrant so the firetrucks have instant access to some type of water supply, concluded Council Member Highstreet.

Council Member Dueker stated he likes the idea of our potable water system working a fire plan for the area. Council Member Binney stated he thinks fire hydrants should be installed as the Town is putting in the new water lines. For us to be more effective with our water system to take advantage of any opportunity that we may have available to us to also increase fire protection, commented Town Manager Grier, it seems to him we need to communicate with Hellsgate. Queried Council Member Binney – Where will our wild fire come from? From the southwest, answered Mr. Grier. We have a creek that runs down there, responded Council Member Binney. It would be much cheaper to work with the forest service and get those beavers. If you look at what beavers do on creeks, they stop wildfires, concluded Council Member Binney. Questioned Mr. Grier – What if you have a fire from within. That is a different story, answered Council Member Binney. Mr. Grier stated he thinks it is an interesting topic. He would like to ask the engineer if there are opportunities that the Town is missing to be a more fire safe community. Mr. Grier reiterated that he thinks the Town needs input from the Fire Chief. Council Member Highstreet commented he does like the point that Council Member Binney made to consider putting in a few hydrants along the way. It is important to consider and from his perspective hydrants are always a good thing, concluded Council Member Highstreet.

If the fire department were doing their job, stated Council Member Binney, they would let us know that they don't have enough volume somewhere. You have to understand that you are dealing with a rural fire department, responded Council Member Highstreet. They don't have a plethora of staff to be able to provide all that data. They can test fire hydrants, explained Council Member Highstreet, and they have. Testing is different than the maintenance. Testing actually checks the flow rate of the hydrants. It can be roughly determined what it is going to do and a strategy can be mapped out. A short discussion ensued between Council Member Binney and Council Member Highstreet regarding requirements. Town Manager Grier stated it makes sense to speak with the Fire Chief to match up their capabilities and strategies with what the Town puts in place. That is a simpler answer than you might think, responded Council Member Highstreet. The sooner they have an adequate water supply the more effective they are going to be. The more tools the Town could give them the more effective they are going to be for the community. One thing we haven't talked about, stated Mr. Grier, is the ISO ratings and their effect on insurance rates. Increasing the pipe size of volume of water and fire hydrants can decrease the amount of insurance that each property owner is paying as ISO ratings get lower.

Mayor Davis reported he is looking to replace his homeowners insurance because his company cancelled everybody's insurance because of the potential of fire. That is pretty common right now, responded Council Member Highstreet. The ISO rating is one to ten, explained Council Member Highstreet, with ten being the worst and one being the best. He recalls the ISO in Star Valley is below average at somewhere around five, six, or seven. That is expected given being in a rural community, concluded Council Member Highstreet.

4. Does the council feel that water rates need to be increased?

Council Member Binney stated he was speaking with a friend who lives in Tonto Basin and his water rates are tripling. The Town of Star Valley's water rates, reported Council Member Binney, are a third of all the surrounding areas. He does not think the water company should run at a profit, but that the Town needs to at least break even. Before we can answer this question, stated Council Member Binney, he does think a study needs to be done to find out what it is really costing the Town. We don't want people to pay any more money than they have to. The Town does not pay anything for the water except pumping it and the maintenance. There are certain costs that have to be absorbed and he does not think everyone in Town should pay for that. Other people pay for their own wells and no one helps absorb the costs of those wells. He wants a fair assessment, concluded Council Member Binney, not including the cost of infrastructure because that is an asset.

Vice Mayor McKinney stated he thinks the Town needs to raise the price because the water department definitely needs more revenue. Council Member Armington stated he agrees. Council Member McDaniel stated she does not think it should run in the red. She also does not think it is fair for one hundred percent of Star Valley to absorb the costs of the thirty percent that are using the system. Council Member Dueker asked for confirmation that there has to be a study before the Town can even look at raising water rates. Title 9 requires that a water rate analysis be done, answered Town Manager Grier. The water rate analysis is where we need to start. It is not a small feat and it would put two months of work on Finance Administrator Woody's desk. The Town is at the point where it is necessary, commented Council Member Highstreet. Mayor Davis responded that he agrees and recommended small incremental rate increases over a five year period.

5. What is a good plan for continued streets and roads maintenance and/or streets and roads projects?

What the Town has been doing is working fine, stated Council Member Binney. Vice Mayor McKinney stated he is satisfied with the current plan. He would like to see major improvement on ditching. The Town should be spending its HURF money on HURF projects, concluded Vice Mayor McKinney, and not just letting money stack up in the bank. With ditching, responded Council Member Binney, you are increasing water run off fast. You would be taking all of those people on Rainbow and Moonlight and flooding them even worse. You are talking big money to impound that water and then release it slowly too. It might be cheaper, recommended Council Member Binney, to encourage homeowners to put in a rain garden. All the water that comes off a roof does not run into those ditches, explained Council Member Binney, it runs in the rain garden and soaks down and replenishes the wells. It slows the water down. By increasing water you are decreasing your water tables. It is a really complicated thing. You don't want all that water just running off and hurting the guy downstream because that is what is going to happen, concluded Council Member Binney.

Council Member Armington stated he thinks Roy does a really good job. The Town could have access to another 10,000 gallons of water, added Council Member Armington, with an agreement with Roy to have access to his tank for fire purposes. A five thousand gallon truck, concluded Council Member Armington, could be filled in about three minutes. Council Member McDaniel stated she thinks the Town has a good plan for streets and road maintenance. Roy is on top of it, concluded Council Member McDaniel. He is in agreement with everyone, expressed Council Member Dueker. On potholes, informed Town Manager Grier, give him a call and he will contact Roy. If you see street signs that need to be replaced, added Mr. Grier, contact Town Clerk Chapin. Council Member Highstreet stated he thinks the Town's strategy is great. His only concern is being pro-active rather than re-active.

- **ADJOURNMENT TO THE REGULAR MEETING**

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

The motion was voted on and passed 7 – 0.

APPROVED:

Bobby Davis, Mayor

Date: _____

ATTEST:

Eddie Chapin, Town Clerk

CERTIFICATION:

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Work-Study Meeting of the Town Council of the Town of Star Valley held on this day, the 4th day of April 2023. I further certify that the meeting was duly called and held, and that a quorum was present.

Dated this 6th day of April 2023.

Eddie Chapin, Town Clerk