

**TOWN OF PRESCOTT VALLEY
WORK STUDY (BUDGET) MEETING
MINUTES
May 5, 2016**

Library Auditorium/Council Chambers
7401 E. Civic Circle
Prescott Valley, Arizona 86314

1. Call to Order

Mayor Skoog called the meeting to order at 5:30 p.m.

2. Roll Call

Present: Mayor Harvey Skoog, Vice Mayor Rick Anderson, Council members Marty Grossman, Mary Mallory, Stephen Marshall, Lora Lee Nye, and Michael Whiting.

3. Discussion of proposed FY2016-17 budget – FOR DISCUSSION ONLY

a. 5:35 pm–6:10 pm Human Resources (Pg. 6-75) Karen Smith, Human Resources Director, Barbara Lear, Blue Cross/Blue Shield update

Barbara Lear, Lear & Associates, Inc. said we have had zero increases for 6 years. We have 96 percent claims credibility. Last year was an anomaly of really bad claim experience. Last year we had an 8.8 percent increase which was reduced from 29 percent for the year including 4.8 percent affordable care taxes and fees. Last year our renewal was based on a number of large claims which was unusual for us with a loss ratio of 72 percent this year, which was 94 percent last year. We had 5 large ongoing claims exceeding \$30,000 totaling \$224,496. The previous year we had 14 large claims totaling \$1,042,519. Our insured population increased by 10 employees. Last year we had 10 people on COBRA as opposed to one this year. This year's 7.6 percent decreased renewal includes the increased 1.8 percent affordable care fees. Our ten year average is .7 percent per year which were 15 percent prior to Lear's negotiations.

High claims experience in dental costs resulted in a 5 percent increase in renewal which is under the 8 percent trend. This is the first increase since 2012. Employees are encouraged to recommend out of network dental care physicians to become a member of the plan or have employees consider moving to 'in network' dental care physicians. Twenty seven of the top 50 dentists used this year were 'out of network'. The Town will be going to a managed care dental plan eventually, probably within 3 years. Employee Health Premiums annual costs are down \$150,000 per year.

Retiree insurance is not available to retiring employees as carriers are reluctant to carry them on a plan. The Affordable Care Act has made some choices for people such as no preexisting conditions limitations; Medicare allows a lot of supplements.

Town Manager Larry Tarkowski added that employers don't do that anymore - it is a thing of the past. HR Director Karen Smith added that the Town does have a Retirement Health Savings Account Plan to help people transition to an individual health care plan at retirement.

Lear responded to council that close to 11 percent of the claims were inpatient, 32 percent were outpatient facilities and about 39 percent were physician office visits with prescriptions at 17 percent.

Human Resources Director Karen Smith said our highest turnover was 2 years ago at 21 percent which has been reduced to 16 percent. Prescreen and recruitment efforts will increase as will supervisor training on hiring right to manage turnover. They will focus on safety and wellness and employee development programs. Performance management factors will be enhanced in the Library, Police Department and Parks and Recreation. Biannual sexual harassment training is scheduled for this year. Employee Assistance Program (EAP) speakers will be helping with that and a few other classes. The overall claims are about the same, but we had 2 very large claims in the police department which she views as an anomaly so she reduced the Losses line item (5255). Retirement planning on a quarterly basis will be given to interested employees through ICMA. Employees can be connected with a local attorney for a free consultation and get a will put together and other estate planning through EAP. There will be a one percent increase to the Health Savings Account. Compensation management will occur. Accountant, librarians, and planners starting salaries are below the new starting \$50,000 threshold so they will either have to be reclassified to nonexempt and pay them overtime, or to reclassify them to nonexempt. Staff anticipates reclassifying any positions rather than adjusting salary ranges.

Based on a market study, administrative staff, court clerks, records technicians and other clerical support type positions where we were more than 10 percent behind the market will be adjusted. Fourteen new positions are being added with 12 going to the police department, one in Parks and Recreation (Arts & Culture Coordinator) and the other in Public Works (GIS) costing \$238,000.

Council members stated Lear does a phenomenal job every year. Council member Nye congratulated Karen and her implementation team on the Health Fair today in which 30 vendors and 115 employees participated.

Smith responded to council that a cap has been put on comp time limiting it to 40 hours of accrual. Work time beyond that would be paid.

b. 6:10 pm–6:20 pm Capital Projects (Chapter 9) Kim Moon, Capital Projects Coordinator

Kim Moon, Capital Projects Coordinator, said in 2007 the town's budget included over \$53 million in capital, about half of the town's budget. At its lowest in 2011, the budget was less than \$8 million in capital, about 13 percent of the town's budget. This current fiscal year budget is \$17.4 million, 25 percent of the budget. For the upcoming year the budget is \$19.3 million, about 25 percent of the town's budget. The town has 5 funds: General, Enterprise Fund, Capital Improvement Fund, Debt Service Fund, and Special Revenue Fund. Moon explained what the sources of revenue are and what/where these funds can be spent on.

Public Works has over \$8 million for 17 projects and 9 equipment purchases for 3 storm water drainage projects, Viewpoint Sunset, FEMA updates and Viewpoint Drive Intersection improvements, expansion of the traffic intersection at Glassford Hill Rd and Long Look Dr. and a roundabout at the SR89A spur intersection at Sarah Jane. Utilities Department has capital outlay at \$4 million for 19 projects and 9 equipment purchases for the Summit Hill Tank #2, Victorian States Rehabilitation, and ongoing participation in the Big Chino Water Resource project. Parks & Rec capital outlay is almost \$2.6 million for 4 projects and 5 equipment purchases including Bob Edwards Park, B&G Club Expansion. Com Dev capital outlay is over \$1.5 million for small equipment purchases and a potential grant for Accela software. PVPD outlay is almost \$1 million for 2 building projects and 19 equipment purchases of 5 patrol vehicles and design of the second floor expansion. The Library capital outlay is about \$100,000 for 3 building projects and 2 equipment purchases with grants. Funds are budgeted in Non Departmental for library building remediation issues in the amount of \$500,000. Management Services budgeted \$65,000 for 5 equipment purchases. Magistrate Court has one piece of equipment and one building project for \$26,000 in grant funds. Executive Management has budgeted \$8,000 for a TV studio equipment purchase. This is a total of \$19.3 million in capital outlays for fiscal year 2016-2017. Chapter 9 in the budget book outlines the 5 year capital plan for equipment and projects for future outlay anticipated by each department.

Moon thanked Council for funding capital equipment to keep our community safe, functional and thriving.

- c. 6:20 pm–6:30 pm Reclaimed/Recharge Water and Water Resource/Recharge (Pgs. 10-21 and 10-25) Neil Wadsworth, Utilities Director & John Munderloh, Water Resources Manager

Water Resources Manager John Munderloh said his focus is on recharge, protecting and augmenting our water supply for our citizens. We take water from the wastewater treatment plant to recharge the aquifer with it. We have 2 recharge areas working. The budget covers work as usual and hasn't changed much. The water resource budget is for ongoing maintenance with Big Chino Water Ranch project with the City of Prescott. Most of their focus is on the Comprehensive Agreement #1 between the Salt River Project, Prescott and Prescott Valley which is where the big budget increase comes from this year. After this year the cost will decrease substantially as we put in all the elements of the agreement which is to monitor the hydrologic conditions of the Big Chino Subbasin and then build a comprehensive ground water model then build our mitigation components that allow us to safely pump the Big Chino water supply without impact to the streams. Prescott Valley is the fiduciary agent for the Upper Verde Valley Watershed Protection Coalition that is funded by partner contributions with Prescott Valley's share being \$52,000 and plus the grant funds. Expenses have been spread out over time based on when the funds would be used. The big expense is drilling for the monitoring wells going forward in 16/17.

- d. 6:30 pm–6:40 pm Utilities – Prescott Valley Water/Wastewater System (Pg. 10-3) Neil Wadsworth, Utilities Director

Utility Director Neil Wadsworth started off talking about the water system. One of their goals is to get water meters converted to automated meters. Only 4,000 meters are left to replace. This year they are budgeting \$400,000 for the smart meters. Within the next 2 or 3 years read meters will be converted over to smart meters.

Water Budget funds the contract each year with CH2MHill to operate and maintain the water system and wastewater system. A 4 percent budget increase is proposed given the large number of personnel they are losing every year to other contractors and City of Prescott along with supplies, etc. Power costs remain the same given more efficient, automated control mechanisms. \$400,000 has been budgeted for repairs in the operations budget. They are reducing water meter replacement program from \$500,000 to \$400,000. They have a 1.8 percent increase overall.

Capital Projects in the water division includes the replacement of a waterline to Victorian Estates and on to Diamond Valley; valves at Viewpoint Drive and significant waterline relocation. They intend to update the water and sewer system models and 25 year plan for the improvements. \$200,000 has been budgeted for this project that was last done in 2004-05. The same budget amount will be budgeted next fiscal year.

Wastewater division is basically the same as the water division. They do not expect an increase in electricity; \$400,000 will be made available for repairs, with a bump up to \$400,000 for bio disposal wastewater. Capital projects include the Viewpoint/Spouse Drive and \$400,000 for upsizing the sewer in Section 2. The variable frequency drives control the motors for the aeration brushes system which are failing and need replaced at a cost of \$200,000. Wadsworth said they won't look at another expansion of the plant for another 15 years.

e. 6:40 pm–6:50 pm Legal (Pg. 6-111) Ivan Legler, Town Attorney

Town Attorney Ivan Legler said the legal department doesn't change much year after year. They just respond to the needs of the departments on the criminal side and civil side. They work to become more efficient and organized. They have 8 people in the department, 2 of which are federal program employees. Legal budgets \$100,000 a year for outside counsel for litigations, bankruptcies, etc. This year they anticipate spending most of what they are budgeting.

f. 6:50 pm–7:00 pm Police (Pg. 6-161) Bryan Jarrell, Police Chief

Chief Jarrell said they will add 8 sworn positions and 4 civilian people as well as update the fleet with new vehicles. Some of the challenges they will be facing include that DPS will not be participating in PANT or the RICO fund. Maintaining staffing levels could be a problem as several employees will be eligible for retirement. They are having a difficult time recruiting quality lateral officers from other agencies. A different climate at the Event Center will present unique challenges.

The expansion of the building is a necessity as they are at capacity. Significant expenditures in the technology area will be needed over the next couple of years for computer aided dispatch and records management. Continued growth in population and industry is a challenge. Continuing

services in any economic downturn could also be a concern. He expressed appreciation to Council for ensuring that departments are properly staffed and equipment to provide the expected service. Because of the support of administration they will have 76 sworn officers and 21 support staff.

Council member Nye added that a Community Conversation Meeting with MATFORCE will be here in this room next Wednesday, at 6:30 p.m. to talk about drug and crime issues. This is an opportunity for the citizens to be a part of the solution.

The dispatch call center is being revamped with technology changes not this year, but the next year. The record management section will integrate with the computer aided dispatch side. Prescott Valley and the Prescott will share the lion's share of the cost.

Tarkowski commented that turnover affects every police department which is why the PD is being bumped up to the highest level of officers per capita right now especially given the educational piece of getting them trained for the street. The recession was a cleansing process when we all had to get back to the basic services, not proactive programs. Our crime rate is incredibly low for a community our size. Response times are phenomenal. This year we focused on officers; next year body worn cameras will be talked about, but not in year one when we are focusing on new officers and working down comp time. Comp time will be limited to 40 hours per officer.

Council member Nye mentioned she had confirmation from a couple of citizens that the sales tax was the right thing to do for street improvements and the police department. Council member Mallory said it is important to have the right amount of officers to respond to calls; it is a proactive move. Block Watch and other proactive programs will enhance officer/community relations.

Chief Jarrell stated that his mandatory purpose is responding to calls and investigating crime. Some departments have lost their focus. Having police officers on the payroll for washing cars or sitting in an airplane hangar somewhere is completely wasteful. He will do anything he can proactively to reduce crime and focus on what they do. Significant strides have been made in managing overtime. There was no prior tracking of what overtime was being spent on. Overtime for holiday work is acceptable; report writing is not. He can manage the numbers now to get a true liability of overtime for a given year, within reason. Chief Jarrell added that he brought a different perspective to the department, but the staff has always been effective.

g. 7:00 pm-7:10 pm Debt Service (Pg. 8-3) William Kauppi, Management Services Director

Management Services Director Bill Kauppi stated that debt service is down to \$60 million. Ten years ago that figure was over \$100 million. Municipal Property Corp carries the street projects and building debt. Water and wastewater are included in the Enterprise Fund and not listed here. Five debt payments are made on 4 buildings. Certificates of Participation carry the Library building. The Civic Center and Police Department buildings will be paid off next year. We no longer have special assessments for sewer or streets. They are paid off. The final payment on Shamrock (water system) will be paid off next year.

Tarkowski said we have been working very hard to bring our debt down through refinancing or end of the term. He cautioned that we may take a look at a couple of things; one being to bond a police station expansion and something to do with water.

h. 7:10 pm-7:20 pm Community Facilities Districts William Kauppi, District Treasurer StoneRidge Community Facilities District Pronghorn Ranch Community Facilities District Raven Ridge Community Facilities Districts Quailwood Meadows Community Facilities District Eastridge Community Facilities District Parkway Community Facilities District No. 1 Southside Community Facilities District No. 1

Eastridge has been a good assessment district with no payment issues. We have 2 more budget years and it will be paid off.

The Parkway ad valorem assessed value dropped by 1.7 percent and hopefully has bottomed out now. He is adding a \$50,000 contribution into the budget if the town wants to contribute to the CFD or if a nonprofit entity wants to contribute. The tax rate will go down to \$15.04 cent tax below last year's tax of \$17.18.

Pronghorn's assessed value is up by 11 percent. Standby contributions (generated from building permits) are being made, but will go away when all the lots are sold and Pronghorn Ranch reaches build out. Kauppi is proposing a tax of \$2.81 this year; last year it was \$3.12. Tarkowski, philosophically speaking, said we have been trying to make sure everyone is paying the same thing they did the previous year. He cares about how money is coming out of someone's pocket. He likes to see the rate adjusted up or down so that the property owners pay a level payment every year.

Quailwood's assessed value went up 12.9 percent this year. This year's tax rate is proposed at \$3.13 compared to \$3.58 last year. This is due to growth and a contributing developer with the lots left. Kauppi is projecting \$70,000 will come in from the developer this year.

Ravenridge will be paid off in 2024. Only a handful of lots are still paying assessments. This is a good district with only 10-12 assessments left.

Southside #1 assessment district is located on SR69. One property owner has defaulted on their property loan and will probably not ever make a payment on this property. Years ago Council said that any future payments would be made by the town to the CFD. When the property is sold the Town will recover its money. The assessment is about \$55,000 a year for this property. Tarkowski commented that he has a serious inquiry about purchasing that property.

Stoneridge's assessed value went up 8.4 percent this year. This year he proposes a \$2.59 tax rate which is a decrease from \$2.74 last year. Any rental income will be applied to the debt service.

Tarkowski thanked everyone for their participation in this budget process.

4. *Adjournment*

Mayor Skoog adjourned the meeting at 7:41 p.m.

ATTEST:

APPROVED:

Diane Russell, Town Clerk

Harvey Skoog, Mayor

STATE OF ARIZONA)
COUNTY OF YAVAPAI) ss:
TOWN OF PRESCOTT VALLEY)

CERTIFICATE OF COUNCIL MINUTES

I, Diane Russell, Town Clerk of the Town of Prescott Valley, Arizona, 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 Prescott Valley, held on Thursday, May 5, 2016.

I further certify that the meeting was duly called and held and that a quorum was present.

Dated this May 18, 2016

Diane Russell, Town Clerk