

TOWN OF PRESCOTT VALLEY
WORK STUDY MEETING
MINUTES
August 2, 2012

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

1. Call to Order

2. Roll Call

Present: Mayor Skoog, Council Member Nye, Vice Mayor Tjiema, Council Member Mallory, Council Member Whiting, and Council Member Anderson.

Absent: Council Member Lasker.

3. Discussion regarding the Civic Center remodel bid results & proposed contract

Kim Moon, Capital Projects Coordinator, stated that on Monday, July 23, 2012, the Town received seven (7) bids with the bid amounts ranging between \$209,000 up to \$266,000. The architects estimate was \$400,000 for the job. Stroh Architecture has reviewed the bids and recommends award to the lowest responsive bidder, Danson Construction, in the bid amount of \$209,000.00. Doug Stroh has also reviewed the qualifications and references of the lowest responsive bidder, per attached Recommendation of Award. Construction on this project can begin in August after approval and full execution of contract documents. Construction is expected to be complete by Thanksgiving 2012. We have complied with asbestos testing requirements on the building which came back negative for asbestos.

Town Manager Larry Tarkowski added that funds for this project come from Development Impact Fees (DIF) rather than operational funds. DIFs are one-time charges applied to new residential and commercial construction to alleviate its impact on current public improvements and infrastructure. The intent is to ensure that “growth pays for growth” and that existing residents are not unduly burdened to pay for improvements to accommodate growth. DIFs were first assessed by the Town of Prescott Valley in 1995, and revised in 2003 with recommendation from a citizen’s advisory committee to include Civic fees and other fees. Recent changes to Arizona Revised Statutes removed the Civic category from eligible DIF categories. In December 2011, the Town’s DIF structure was adjusted and included rescinding the Civic Development Impact Fee. Civic DIF collected to date can only be used on such Civic infrastructures projects as to remodel the Civic Center, to provide the building’s ultimate build-out plan.

No action was taken.

4. Discussion regarding the Fiscal Year 2011-12 budget review

Management Services Director Bill Kauppi presented an unaudited analysis of the annual budget 2011-12 revenues and expenditures. He thanked Jane Fuller for working on this. This process is in compliance with the Budget Amendments Policy, whereby Town staff is to provide a report explaining any deficits which may have occurred in that fiscal year. This report is to be prepared and reviewed on a periodic basis and is being done so at this work/study session. This review is to provide a preview to the audited Comprehensive Annual Financial Report (CAFR) which will be available sometime in November. The report shows that the total budgeted revenues for Fiscal Year 2011-2012 were \$52,946,633, with actual revenues of \$68,852,141 as of August 23, 2012 for the year ended June 30, 2012 indicating a \$16 million surplus which is misleading. Kauppi stated that the surplus is due to the refinance of the bonds this year. The total budgeted expenditures for Fiscal Year 2011-2012 were \$66,936,196, with actual expenditures of \$73,224,651 as of August 23, 2012 for the year ended June 30, 2012. Kauppi stressed that the actual revenues and expenditures could change due as this is an unaudited analysis and the final audit is not yet complete. Also, an unaudited balance sheet is included in the overview to provide a more concise summary of the Town's financial status. Kauppi discussed in limited detail the General, HURF, Water & Wastewater and Enterprise Funds.

Cash reserves are currently \$11.8 million down about \$2 million over last year primarily due to debt obligations. Kauppi expects an additional \$2 million deficit on the reserves in 2012-13. The Fund balance is \$14.4 million, previously \$16.7 million. HURF seems to be holding its own. Currently it is a little under \$2 million and last year it was just over \$2 million. Ongoing obligations are causing the cash balances to drop a little (governmental funds only, not enterprise funds). The overall cash fund amount for all governmental funds is \$21.5 million. The Water/Wastewater Funds are very strong with \$11 million in cash on Wastewater alone. The Water Resource and Reclaimed Water are running in a deficit balance.

Town Manager Larry Tarkowski applauded Kauppi for his fiscal projections saying he is either very good or very lucky. Tarkowski suggested that it is because Kauppi is very good.

Kauppi continued with his report. The Enterprise Fund balance in Revenues and Expenditures (by category) were covered in detail. The General Fund balance was up \$85,340 over the projected \$14,350,000 for the year. Revenues to the General Fund were \$166,575 below the anticipated \$21,859,843. Town Council, Channel 15 as was the Police Department were over budget on operational costs. Even so, the Town has over \$1 million left over in the General Fund; \$300,000 of that due to a Public Works project that didn't occur. The HURF fund is in good shape.

Kauppi explained that the Budgetary Basis means that it goes into governmental accounting with certain expenditures (we're on an accrual basis) that relate to debt (bonds) that can be booked into a fiscal year depending on where it was budgeted. It only affects a handful of accounts. For CAFR presentation purposes it is mandatory that it is stated that way.

The Wastewater Fund should be good for the year with the debt service test. In the past it has been around the 125 coverage and we are currently just slightly above that. Transfers out to the other funds in the amount of \$3 million were set up this year just in case the Town decides to

refinance the bonds. The Water Fund, in the end, will be close to the projected \$8.3 million budgeted amount with a strong fund balance.

Council member Mallory said, great job. Council member Nye thanked Kauppi for his conservative projections on the budgets. "We are a very fiscal conservative council."

Town Manager Tarkowski commented that many other municipalities are financially challenged and predicting that it will likely get worse before it gets better. He thanked Council for their policy leadership and making wise conservative decisions over the years to ensure a financially healthy organization.

Mayor Skoog added that staff has done a great job. Council member Mallory commented that we operate a transparent government extremely open to the citizens. No action was taken.

5. Adjournment

Mayor Skoog adjourned the meeting at 6:09 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 Work Study Meeting of the Town Council of the Town of Prescott Valley, held on Thursday, August 2, 2012.

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

Dated this August 3, 2012

Diane Russell, Town Clerk