

**TOWN OF PRESCOTT VALLEY
WORK STUDY MEETING
MINUTES
May 1, 2014**

Library Auditorium
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 Skoog, Vice Mayor Nye, Council Member Mallory, Council Member Anderson, Council Member Whiting, Council Member Marshall, and Council Member Grossman.

3. Discussion of proposed FY2014-15 budget - FOR DISCUSSION ONLY

4. 5:35 pm-6:15 pm Human Resources Karen Smith, Human Resources Director Barbara Lear, Blue Cross/Blue Shield update

Barbara Lear, the Town's negotiator with Blue Cross/Blue Shield of Arizona, said we have a 10 year history showing five years of no health insurance rate increases. This year's annual medical inflationary trend is 10.6 percent. Our claims experience credibility is high at 95 percent with 7 large ongoing paid claims exceeding \$30,000 ranging from \$32,490 to \$124,712 totaling \$410,945 paid over the last 12 months. That figure includes the 55 percent discount we receive off of full retail. The previous 12 months of paid claims were included in the renewal formula so our previous year's large claims totaling \$500,210 became a part of this renewal.

Our insured population increased by 9 employees since our last renewal, helping restore the previous BCBS premium, which has decreased since 2009, but 5 of the additions are COBRA participants.

Our employee demographics indicate that 83 employees are over the age of 50, (44% of the population), including 20 employees age 55-59 and 31 employees over age 60. Those demographics have not changed in several years and are not anticipated to change.

Health Care Reform (Obamacare) has affected us in that an additional 4.1 percent tax and fees plus the 1.9 percent benefit change are mandated charges to the insurance carriers. All pre-existing conditions limitations are now federally mandated as excluded under our plan and every group plan in 2014.

A benefit enhancement this year is that all copays and access fees during the year will now apply to the deductible and out of pocket maximum helping employees to reach the deductible limit earlier. Barbara Lear reported that we will NOT have a rate increase in our health insurance. The insurance company gave up the almost 20 percent renewal fees plus the 6 percent on the Obamacare fees. Lear stated that the Town Manager allocated \$30,000 as employee participation incentive to the Wellness Program. The criteria will be developed (in house). Our final renewal rate for the 10 year averaged 1.5 percent per year compared to the average original (quoted) fees of 13.7 percent per year.

The Ameritas Dental plan began with a 9.1 percent increase negotiated to final renewal of zero percent increase. We have a 9 year average renewal increase of 1.8 percent. Group Life Insurance (\$75,000) and Accidental Death & Dismemberment rates have actually decreased 35 percent since the plan's 1994 inception; this rate is a guaranteed rate until 7/1/2016.

Council member Mallory commented that the Wellness Program is a good program. Lear responded to Council member Whiting that 14-15 percent trend increases are realistic and should be considered by any employer. BC/BS honors that we have a long-term relationship with them and consider that every year. In response to Council member Mallory's Wellness Program comment said that Karen has worked very hard on it and allowed it to progress.

HR Director Karen Smith talked about the Wellness Program mission, values and logo creation, program incentives, participation levels experienced as well as the quarterly program focuses. The \$30,000 award incentive is listed in the budget to encourage a 35 percent participation rate. The first Health Fair in conjunction with Open Enrollment is next Thursday with 13 vendors present. Over 50 employees are signed up for health screens this year. They have a goal of 60. Vice Mayor Nye applauded what is planned for the future, but is concerned that mental health is not addressed and said that she hoped that was planned for in the future. The results from the Health Risk Assessment are used to identify the top three stressors or health risks and the program is developed from that. Karen said she would address mental health as well. They will be working with the Wellness Team over the next two months to determine the criteria for the incentive awards of \$200 per employee. If an employee completes all participation requirements of the program they will be awarded that amount. An employee can opt to put the money on their flexible spending card as an employer contribution - tax free or a wellness reimbursement program (gym membership, weight watchers, weight management program, smoking cessation program and fitness equipment).

The Town experienced a near 14 percent turnover, which is something they want to reduce to the single digits over the next three years. The new compensation [increase] changes are making a huge difference. Employees are beginning to feel more relaxed with their salary adjustments. The recruitment is enhanced with the Volunteer Central Program. The new application system recently approved by Council will be a huge help in the recruitment process. She is asking for one additional full-time position to handle the benefits program for the office and she hopes to be able to take over the PVPD retirement program and Family Medical Leave program. Workman's Compensation (W/C) has been a growing concern over the last three years. This year 34 W/C claims over this FY year to date with 235 days of productivity lost out of 249 work days in the year. She is looking for a Medical Review Officer who specializes in Occupational Health to manage those cases. The average Experience Modifiers (EMOD) for our municipal size is 1.00;

our EMOD has increased to 1.99 with total expenses at \$958,000 which is an alarming and continuing trend. All claims are divided between primary and excessive costs. Primary cost (based on frequency of claims) is up to \$13,400 an amount which is increasing each year. The 33 percent primary claims at \$223,000 in losses drive up our premiums. Excess claims (Severity claims) are the large claims totaling \$462,000. Council member Whiting questioned what type of injuries we are experiencing. Smith stated that 'trip and falls' have been frequent. The Safety Committee has been highly involved addressing this. We have a \$2,000 deductible on each claim. Southwest Risk is very concerned about this and is assisting in the location of a Medical Review Officer. The Police Department, as the greatest user of Workman's Comp, is on a pilot program to test the use of a Medical Review Officer.

Vice Mayor Nye said that in the last few years we have overstretched our employees so she is not surprised that those numbers have gone up. She hopes that those numbers will be brought down now that we are able to hire, give raises and reduce the stress levels. Smith said that if we remove the lost wages component (town pays the 66 2/3 percent of employee pay) from the equation next year that would reduce our EMOD.

Council member Grossman questioned whether weekly safety talks are taking place. Smith responded that the Public Works Dept., PD and Parks & Rec do that regularly. Safety Committee members are our liaison back to the department for dispersement of safety information and responsibility is to share what the Safety Committee is working on.

Smith said with the new staff position they will be able to absorb all the accounts payable and timekeeping tasks. It will free up her time to do more organizational development and training.

5. 6:15 pm-6:30 pm Capital Projects Kim Moon, Capital Projects Coordinator, and associated Department Directors

Deputy Town Manager Ryan Judy said the Capital Projects and Capital Equipment make up about \$14 million of which \$11,927,082 is for Capital Projects in FY 2014/15. Most of the Capital Projects have their own funding source so very little of it comes out of the General Fund. The Viewpoint-Spouse Intersection provides another north south corridor extending from Civic Circle up to SR89A and is the largest project this year costing \$3.3 million. Judy gave an overview of the other projects several of which will be benefiting from other funds/grants. Judy responded to Council member Whiting that the \$50,000 donation was received from NCU and budgeted for.

6. 6:30 pm-6:45 pm Reclaimed Water, Water Resource/Recharge Neil Wadsworth, Utilities Director John Munderloh, Water Resources Manager

Water Resources Manager John Munderloh said they will do what they always do – make sure the Town's commitment to our long term water supplies remains in place, reaching Safe Yield, establishing water supply security for the residents and businesses. The North Plains Recharge Facility was put in place last year which increased our credited effluent back into the ground. We have seen continued achievements in water conservation. For the next year we will be continuing the expenses associated with recharging from effluent, from the wastewater treatment plant. We have a capital expense for the Big Chino Water Ranch project pipeline which is a commitment

through the agreement with Prescott. We have an agreement with the Salt River Project and Prescott to spend a couple of hundred thousand dollars to fully implement the monitoring and modeling costs which will be ongoing for several years. \$100,000 was budgeted to plan the next phase of the North Plains Recharge Facility which will not be spent unless we create revenue from the effluent sale agreements. This is there as a place marker. Munderloh responded to Mayor Skoog that the 5 feet of evaporation was projected on 180 feet of recharge. We are not getting 180 feet of recharge, but it is still going into the ground and we are getting credits for what is being recharged. The actual evaporation amount is about 5 percent of what we are credited.

Utility Director Neil Wadsworth said reclaimed water expenses are much the same as last year. The fully functioning recharge facility with automation and solar panels has a \$25,000 increase for maintenance/repairs. The overall budget is much the same. He anticipates a 3 percent increase in the OMI contract. Council member Whiting stated that with all the investments in upgrades, monitoring and new equipment that we will see lower costs in the future. Wadsworth responded that additional costs will naturally increase as more pumping and automation is added from the plant up to the recharge field.

Town Manager Tarkowski stated that in some communities that wastewater/recharge is a separate utility charged back to the customers. We do not do that. When you think of the wastewater/recharge side it is a utility on its own and those costs will continue to go up. The value of that recharge outstrips the cost. The pumps will have to be replaced and redundant systems in place like a water system. Pumping water a mile upstream to the recharge facility costs money.

7. 6:45 pm-7:30 pm Utilities - Prescott Valley Water/Wastewater System Neil Wadsworth, Utilities Director

Utility Director Neil Wadsworth said overall, there is a 3 percent increase for OMI's services. The Wastewater budget has a 3 percent increase for all the operational side. The \$4,000 landscaping portion of the budget pays for the pest control at the sheds and treatment plan. Wadsworth talked about the major changes in his budget, capital equipment and capital projects that the department will be involved in.

On the Water side the budget will increase by 1.8 percent. The major items are a decrease in the electrical charges due to the booster pumps and solar panels combined with cheaper hours of operation of the system. Equipment repairs are being increased. Capital projects include the Flex-Net antenna station (\$60,000) and a second antenna located on a water tank off of Glassford Hill Rd. which should eliminate dead spots and complete the meter read system. Well rehabilitation is scheduled every year. The Fairgrounds well has been out of service the last two weeks which needs rehabilitation. The StoneRidge water tank is still on the back burner for future consideration until the growth up there requires it to be built out. Wadsworth said they need to have a conversation with StoneRidge about that as StoneRidge is responsible for the pipe up to the tank. Build out in that area will drive when the tank is needed as well as a need for redundancy in the system.

8. 7:30 pm-7:45 pm Legal Ivan Legler, Town Attorney

Town Manager Tarkowski said that the Legal Department budget is increasing by about \$30,000 due to employee benefit increases.

9. 7:45 pm-8:00 pm Police Department, Chief Bryan Jarrell

Chief Bryan Jarrell discussed his goals with Council back in January. These goals were: Animal Control, Traffic Safety, appearance of Vehicle Fleet, Training and Technology. A new Animal Control Officer will be added, new officers will be added to provide for safety of the community, upgrading the fleet with 6 new vehicles at the beginning of the new year, implement procedural changes ending by going to a patrol car pool concept, additional training funds for out-of-state educational opportunities, and officer equipment either through grants or capital expenditures. Jarrell responded to Council member Whiting's question that the repeater system is old and without redundancy. They are addressing that issue and the coverage issue by improving the repeaters along with a simple fix on the portable radios that adds decibel gain to them. Council member Anderson said he definitely supports sending officers to wherever they need to, to get training. Jarrell responded to Vice Mayor Nye's question that 5 or 6 vehicles will be eliminated along with 6 other high mileage high maintenance vehicles. The rest will have their paint, graphics and technology rehabbed. Vice Mayor said we have an image to project as well as the safety issue. Mayor Skoog said Prescott Valley came in number 12 on a list of safest places to live in Arizona.

10. 8:00 pm-8:15pm Debt Service William Kauppi, Management Services Director

Management Services Director Bill Kauppi said our total debt service expenses are \$61,774,690 in Principal, with \$14,249,842 in Interest for a total of \$76 million outstanding. The \$26 million outstanding under MPC will be paid by the General Fund or whenever possible we will use other funds for this annual debt service. The 2011 Refunding Bonds, from 2003 street bond, will be paid with Impact Fees (DIF). Once our new impact fees are approved in August we will not be able to use those Impact Fees. At that point it will all be paid by a third of a cent tax. The Refunding of 2012B Bonds is the Big Chino Water Importation purchase. As funds become available out of the Water Resource Fund we will use it. At this point we still have more expenditures than revenues coming in. Some of the other utility funds are covering the differences/deficits in the Water Resource Fund. Tarkowski added that the developer of the Glassford Heights project has been negotiating with the purchaser of our effluent credits and that is the revenue stream that we have long been anticipating. We understand that it is going rather well. The Library Building cost fund still has \$15 million outstanding to be paid. Insufficient funds in the Impact Fees required that the General Fund loan money to that fund to pay this cost. Once housing turns around, then the Impact Fee Fund will repay the General Fund. In 2018 the Civic Center and Police Building will be paid off. The last payment for the Phase II Special Assessments is in the upcoming fiscal year. After that all phases will have been paid off. The Enterprise Water Fund bonds were refinanced and will be paid off in January 2019 (Water District Bond dating back to Shamrock). The purchase price of Shamrock water with 7,500 acre feet of water included was \$15 million. Six or seven million dollars was invested immediately to make system improvements. Kauppi said we currently have 1 bond and 2 loans for the

Wastewater Treatment Plant which will be paid off in 2026. Tarkowski responded to Council member Whiting's question that our debt service is on the lower end of debt service per capita in comparison to other communities of comparable size. Growing communities incur costs for roads, water, sewer and we are one of those rapidly growing communities. We would much rather cash fund debt than issue additional bonds.

11. 8:15pm Community Facilities Districts William Kauppi, District Treasurer

District Treasurer Bill Kauppi gave an overview of the status of each CFD.

Eastridge is an assessment district paid for by the property owners. It will be paid off in 2018.

Entertainment District, now that the litigation is over our administrative cost is next to nothing. Tarkowski added that the reason the CFD was created was to give the arena the tax exempt status to avoid \$600,000 - \$900,000 a year in taxes.

Parkway has decreased 4 percent in assessed value again this year, not as much as the previous year. One of the tax exempt entities is moving out of that district so the property will become taxable again in FY 15/16. Tarkowski said demand letters have been sent out to those particular entities and expects payment from one, perhaps two without much more prompting. However, the third one is still going to be difficult. There is an allowance in this budget to account for some of the payment (\$10,000 contribution). We have been drawing down the reserve for years and are trying to limit how much we rely on the reserves. If more is collected then it will be set aside and used for future debt service payment and reduction in future tax rates. This year's tax rate of \$16.51 compares to \$16.24 last year, a 2 percent increase. Values are expected to rise next year.

Pronghorn Ranch experienced a 17 percent increase in assessed value this year. He anticipates that most property owners will see a reduction in their taxes next year. The tax rate was \$4.80 last year; this year he recommends a \$4.00 as the tax rate which includes a 5 percent delinquency rate on each of the residential CFDs. Kauppi predicts that the Successor in Interest will pay \$44,944 this year if 20 new homes are built this year.

Quailwood Meadows was hit the hardest in the recession. It had a 26 percent increase in value in one year likely due to more homes being built and assessed value. Last year the tax rate was \$5.55; this year Kauppi proposes a \$4.60 tax rate. The developer must pay \$355.00 per developer owned lot so they will owe an estimated \$78,750.

Raven Ridge is an assessment district that is almost completed. A \$26,000 budget is proposed for the debt service (WIFA loan). There are no other costs associated with this district.

Southside No. 1 still has an issue with one delinquent property owner who annually owes \$55,000 - \$56,000 in assessment. The assessment is \$208,000, but we only collect about \$150,000 because of the one large parcel. Each year this parcel is taken to auction, but we have not had a buyer to date. Tarkowski added that this is the third year we have taken it to auction. It will sell as it is a prime commercial property. He suggested the Town continue to make that

payment so the CFD does not default. He said there is interest in putting in commercial entities that will take advantage of these improvements. He recommended taking the sales tax revenue from any of those to continue to make sure the district does not default.

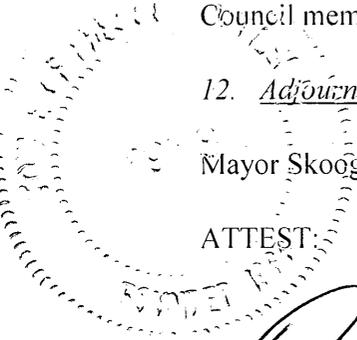
StoneRidge experienced a 16 percent increase in assessed value. Last year the tax rate was \$3.64 and this year it will be \$3.18 which is a 13 percent decrease.

Council member Mallory said it is nice to see some positive news about the districts.

12. Adjournment

Mayor Skoog adjourned the meeting at 7:28 p.m.

ATTEST:




Diane Russell, Town Clerk

APPROVED:


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 and Community Facilities Districts Board of the Town of Prescott Valley, held on Thursday, May 1, 2014.

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

Dated this May 9, 2014


Diane Russell, Town Clerk

Minutes Attachment: Department Summaries PowerPoint