MINUTES OF THE FLORENCE TOWN COUNCIL WORK SESSION HELD ON THURSDAY, JUNE 18, 2015, AT 3:00 PM, IN THE CHAMBERS OF TOWN HALL, LOCATED AT 775 NORTH MAIN STREET, FLORENCE, ARIZONA.

CALL TO ORDER

Mayor Rankin called the meeting to order at 3:02 pm.

ROLL CALL:

Present: Rankin, Walter, Hawkins, Guilin, Anderson, Wall.
Absent: Woolridge

WORK SESSION TO REVIEW THE 2015/2016 BUDGET.

Mr. Charles Montoya, Town Manager, stated that the items that need to be reviewed after the draft budget was presented to Council at the June 10, 2015 work session are as follows:

- Addition of $40,000 to the Fire Department budget for part-time salaries to help alleviate demand on overtime funds
- Unfreeze the Building Inspector position
- How Council would like to budget for the potential annexation should the current lawsuit be decided in the Town's favor

Mayor Rankin stated that he along with Councilmember Wall and Councilmember Guilin met with Mr. Montoya and Mr. Michael Farina, Finance Director, to allow Councilmember Wall an opportunity to understand the budgeting process as this is her first budget season. He stated that it is Council's responsibility to look at the overall budget to ensure it is fiscally sound and in the best interest of the Town. He stated it is not the job of Council to dissect each department as that is the job of the appointed department head, which is responsible for their budget and to run their department within the established expectations of Council.

Mr. Montoya stated that he and Mr. Farina met with Councilmember Guilin and Mr. Farina recommended that $40,000 be taken from the Community Center part-time salary budget as they will not open at the start of the fiscal year; and move those funds to the Fire Department part-time salary budget. He spoke with Mr. Bryan Hughes, Parks & Recreation Director, who stated that he believes that he can operate the Center with a reduced budget once it is open.

Mayor Rankin inquired if Council had any questions regarding the requested $40,000 to be placed into the Fire Department part-time salary line item.

Vice-Mayor Walter asked Mr. Montoya to reiterate his statement regarding moving funds from the Community Center to the Fire Department.

Mr. Montoya stated that it is being recommended that $40,000 be moved from the Parks and Recreation Community Center operations salary line item to fulfil the need at the Fire Department to backfill shift openings with part-time crew members which will alleviate demand on over-time dollars.

Councilmember Anderson inquired as to why the Transportation Development Impact Fee Fund is reimbursing the Highway User Revenue Funds (HURF) for the Diversion Dam Road project.

Mr. Farina stated that the Diversion Dam Road project was funded by HURF, but based on the criteria approved by Council; the Diversion Dam Road project qualifies for funding through the Transportation Development Impact Fee Fund. By transferring $955,000 out of the Transportation Development Impact Fee Fund to HURF, it will allow for additional HURF projects to be completed.

Councilmember Guilin inquired if the Diversion Dam Road Project is the same as the Bowling Road extension to State Highway 79,

Mr. Way Costa, Public Works Director, stated that it is the same project, which also interfaces with the Arizona Department of Transportation (ADOT) project in the same location which the Town has partially funded, in an amount of $83,000.

Councilmember Anderson stated that he was still concerned that impact fees are being used to fund the HURF account.

Mr. Farina stated that it is his understanding that it is appropriate to reimburse a HURF funded project with impact fees if the project meets the criteria set forth by Council previously. He stated that he would defer to Legal Counsel for their guidance.

Mr. Clifford Mattice, Attorney with Dickinson Wright LLC, stated that without looking at the specifics of the project, Mr. Farinas' understanding is consistent with the basic legal protocol between the two funds.

Councilmember Anderson stated that he would like a better understanding of the approved legal interaction between the two funds and since the Diversion Dam Road project had already been approved to be completed through HURF and inquired why HURF funds are not enough to complete the project.

Mayor Rankin inquired what the Transportation Development Impact Fee Fund balance will be, if the funds are moved.

Mr. Farina stated that the Transportation Development Impact Fee fund balance will be close to zero.

Mayor Rankin stated that if a project comes up then, there will not be any funds available to do them.

Mr. Farina stated that Mayor Rankin is correct; there will not be any funds available. He stated that the recommended $955,000 is not the full amount that is needed to complete the Diversion Dam Road Project. The remaining funds would come from HURF. He stated that the Diversion Dam Road Project has been approved, and as such, whether the project is through the reimbursement process or direct budgeting, impact fees can be used for the project. He stated the legal research that needs to be done is to determine if any portion of the fees that were collected prior 2012; and if so, are they subject to the 10 year limitation of use.

Mayor Rankin directed legal counsel to research if it is legal to transfer funds from the Transportation Impact Fee Fund to HURF and if the impact fees are subject to the 10 year limitation of use.

Mr. Farina stated that the first question that needs to be reviewed is if Transportation Development Impact Fees can be transferred to a HURF approved project if the project meets the criteria set forth by Council regarding the use of those fees. Once that question is answered and if it is in favor of the transfer, you will need to determine if any of the impact fees in the fund are subject to the 10 year use limitation.

Mayor Rankin inquired as to what Councilmember Guilin's thoughts were regarding transferring of funds.

Councilmember Guilin stated that as long as the transfer is properly recorded, the Town can transfer monies from the Transportation Development Impact Fee account to HURF.

Councilmember Anderson stated that he is concerned with using Transportation Development Impact Fee funds for this project as he lives in Parkside, which is located in the Anthem development, and the streets are in need of repair. The residents have been promised that the repairs would be done for several years.

Mr. Costa stated that the street maintenance for the Parkside community is done through Community Facilities District (CFD) monies, and at this time, he is not certain funds have been set aside for street repairs.

Vice-Mayor Walter stated that she is concerned with the condition of the roads in Parkside as they are deteriorating. After speaking with Mr. Montoya, she has the understanding that the street repairs that were done in Sun City were done with funds from HURF not from CFDs.

Mr. Montoya stated that the voters voted to do the following projects utilizing HURF funds:

- Felix Road & Hunt Highway intersection
- Merrill Ranch Parkway resurfacing
- Attaway and Hunt Highway intersection

From the Capital Improvement Fund:
- Hunt Highway
- Resurfacing of American to Franklin
- Franklin Road

Mr. Montoya stated that HURF funds should be used for Town-wide maintenance and that CFD funds are for infrastructure. Staff will come back to Council at a later date to discuss how CFD funds are to be used.

Mayor Rankin inquired if CFD funds were previously used for street maintenance in the Sun City subdivision.

Mr. Costa stated that CFD funds were used to complete street maintenance in Unit 3 and Unit 4, approximately three years ago. At that time there was approximately $100,000 in CFD maintenance funds available.

Mayor Rankin inquired if a maintenance tax is collected under the CFDs.

Mr. Costa stated that there is a $0.30 tax collected for maintenance.

Mayor Rankin stated that precedence had been set with the use of CFD monies to maintain the streets in Unit 3 and Unit 4. Council will need to determine what the appropriate use is for those maintenance funds. He stated that Council needs to make that policy decision, not the Manager's office. He stated that the Manager's recommendation is well taken but also want to make sure Council knows the status of all needs throughout the Town including the overdue projects in Florence Gardens.

Mr. Montoya stated that Phase 4 Florence Gardens concrete curb and pavement project is included in the budget.

Mayor Rankin stated that when the Town went to the voters with the list of items to be completed, the Town did not have the engineering studies done and as such, it will take the majority of the next two years to complete these items.

Councilmember Hawkins stated that Florence Gardens has had new roads and pavements over the last six to eight years.

Mr. Costa stated that last phase of work was completed in 2008, and the work done completed concrete and curbing projects in Phases 1 through 3, at a cost of approximately $4,500,000.

Councilmember Hawkins stated that a decent amount of work has been done in Florence Gardens.

Mr. Larry Kollert, Florence resident, stated that he lives in Phase 5 of Florence Gardens that does not have paved roads, and would like to see the paving project competed in this phase.

Mr. Farina stated that he believes the Transportation Development Impact Fees can only be used for expansion or new construction of roads, not for the repair and maintenance of existing roads.

Councilmember Anderson stated that now the situation is more confusing as the streets in Parkside were installed by the developer and it makes it unclear to him why the developer is having him pay an impact fee.

Vice-Mayor Walter requested additional information regarding the $0.30 maintenance fee that is paid through the CFD impact fee.

Mr. Farina stated that there are two levies; $3.25 for debt services and $0.30 for operations and maintenance which can be used to cover costs associated with professional services or administrative functions on behalf of the CFD. He stated that there is approximately $40,000 collected annually in each CFD.

Vice-Mayor Walter stated that she is concerned that street maintenance was completed with a mix of HURF funds and CFD funds when HURF is supposed to cover street maintenance Town wide.

Mayor Rankin stated that the impact fee in each CFD was developed to cover the administrative costs for the departments that are involved with the business of the CFD. He stated that the impact fees were not designated for repairs and maintenance.

Councilmember Guilin stated that Mayor Rankin was correct as there are limited funds collected in the operating and maintenance budget yet there are many expenses that those monies must cover including audit and escrow costs. She stated an example would be fees that are paid to Pinal County to bill and collect for the individual lot assessments for the CFD. She stated that there was an agreement in CFD No. 2 to use a portion of the operating and maintenance funds to assist with the building of Fire Station No. 2.

Mayor Rankin inquired if Councilmember Anderson was comfortable with the understanding of the CFD collections and expenses, as stated, and with the understanding that Council will receive legal guidance as to how the CFD funds can be utilized. He stated that going forward all expenses for each CFD will be approved by the CFD Board.

Councilmember Anderson stated that he was in agreement.

Mayor Rankin stated that the General Fund will decrease $1,500,000 and that the department heads will need to monitor their expenses very closely. Council will need monthly reports to ensure the Town stays fiscally sound.

Mr. Farina inquired if Council would like a monthly public report or continue with the monthly report that is covered in the Finance Department monthly report.

Mayor Rankin stated that he would like a monthly public report so the citizens and Council can see exactly how money is being spent and where the budget stands at any given time.

Councilmember Hawkins inquired if monthly public reports would increase staff's work load which would outweigh the benefit of the report. He asked if the report would be available online or must be requested from the Finance Department.

Mayor Rankin stated that by reviewing the budget on a monthly basis, it will provide an opportunity for following:

- Opportunity to ask questions
- Receive clarification for areas of concern
- Review and/or rectify areas where a line item is close to being over budget

Vice-Mayor Walter stated that in Town Attorney section of the budget, it states that there will be a $250,000 increase in professional services for continued outside legal services but it does not say for what litigation issue.

Councilmember Hawkins stated that the fees are for the copper mine issue.

Vice-Mayor Walter inquired as to why the outside professional services are being expensed from the in-house Town Attorney department.

Mr. Farina stated that is the name "Town Attorney" is the name of the department that handles all legal activity for the Town. He stated that outside services may be needed for issues that arise that necessitate the use of additional resources. Historically $250,000 has been budgeted and used annually regarding the current litigation with the copper mine.

Councilmember Anderson stated that the professional services line item is being moved from the Capital Improvement fund to Town Attorney.

Mr. Farina stated that Councilmember Anderson was correct as the $250,000 is a decrease in the Capital Improvement Fund and an increase in the General Fund.

Mayor Rankin inquired if the budgeted expenditures for the Fiscal Year 2015/2016 were $36,827,000.

Mr. Farina stated that $36,827,000 is correct. There may have been a few changes since the draft budget was printed, but the changes would be minor.

Mayor Rankin asked that all minor changes be made prior to the June 22, 2015 Council meeting and to note those changes for Council.

Councilmember Anderson inquired as to how the Town will eliminate rollover expenses year after year, such as the $1,200,000, that the Town will experience at the end of the 2014/2015 Fiscal Year.

Mayor Rankin stated that it is a goal in the next Fiscal Year to not expend all budgeted expenditures to eliminate rollover expenses.

Mr. Costa stated that approximately 15% of a project cost is associated with engineering fees.

Mr. Montoya stated that Council and staff need to develop a long-range strategical plan looking at growth of revenue and expenditures over the next one to five years that will provide guidelines for expenditures which will assist in a plan to bring the use of General Fund dollars back to zero.

Mayor Rankin stated that Council decided it would like to have a work session to develop a long-range plan.

Councilmember Hawkins stated that revenues continue to fall as expenses increase due to State funds being reduced.

Mayor Rankin stated that he would like to see the long-range plan developed and approved by Council, sooner than later, to allow the Budget Committee to utilize as the new budget begins.

Councilmember Anderson inquired when the Town would hear from the Judge regarding the pending annexation.

Mr. Montoya stated that the Town may receive a decision in the next three months. He stated if the decision is in favor of the Town, the plaintiffs have 60 days to appeal the decision which would prolong the filing of the judgement.

Councilmember Hawkins stated the Town should not pursue the annexation any further if the annexation goes against the Town, as there is no revenue base in the areas other than shared revenues with the State. The Town cannot incur additional expenses as it would not be fiscally appropriate at this time.

Mayor Rankin stated that if the area were annexed, the Town would receive property taxes and some retail revenue from the golf course. He stated that the annexation is important to the growth of the Town.

Councilmember Hawkins stated that he agrees that the annexation is important to the growth of the Town but the timing may not be right. The next couple of years will be fiscally tough and going further in debt is something Council should review.

Councilmember Wall stated that she strongly urges that a clear plan be put into the long-range plan for street maintenance, taking into consideration all areas of Town, not just the areas that speak out the loudest. She stated that she would like to see the areas prioritized by their current condition and remaining useful life.

Mayor Rankin stated that in the past, the Public Works Director provided Council with the Street Maintenance Plan which included the information that is being requested.

Mr. Montoya stated that the Budget Committee and staff have discussed the need to have an in-depth review done, reviewing all projects as priorities have changed and costs have changed. A new long-range capital plan would aid in the impact fee study and how those fees should be allocated.

Mayor Rankin stated that the Town has had a Capital Improvement Plan for many years. If the Plan were compared to the list of projects that have been completed over the last couple of years, it would show which projects were worked on or completed and which projects have been pushed-out year after year as the need for the work has not presented itself. There are projects that were moved up as the need required.

Councilmember Guilin stated that the updating of the Capital Improvement Plan is the most urgent item that needs to be completed as the Plan will dictate everything the Town does or does not do.

Mrs. Dennis Kollert, Florence resident, stated that she does not believe the Town should stop pursuing the areas that are involved in the challenged annexation as the Town made a commitment to those citizens.

Mr. Montoya stated that he wanted to confirm that Council agreed with the following:

- Move $40,000 from the Community Center budget to the Fire Department budget
- Unfreeze of the second Building Inspector position as funding for the position was located in the existing budget
- Add $250,000 in Capital Improvement, pending the outcome of the annexations.

It was the consensus of the Council to do the changes that had been previously discussed and restated by Mr. Montoya.

Councilmember Hawkins stated that he was not against the pending annexations and if the Court rules against the Town, the Town should not pursue additional action until such time it can properly afford to service the areas. He stated that the Town had no idea that legislation would cut shared revenues to the extent that it did and the harsh reality of those cuts is something the Town will now have to deal with. The Town continues to experience a higher level of expenditures than revenue and the Town will have no choice but to raise taxes.

ADJOURNMENT

Council may go into Executive Session at any time during the meeting for the purpose of obtaining legal advice from the Town's Attorney(s) on any of the agenda items pursuant to A.R.S. § 38-431.03(A)(3).

On motion of Councilmember Hawkins, seconded by Councilmember Anderson, and carried to adjourn the meeting at 4:00 pm.

Tom J. Rankin, Mayor

ATTEST:

Lisa Garcia, Town Clerk

I certify that the following is a true and correct copy of the minutes of the Florence Town Council meeting held on June 18, 2015, and that the meeting was duly called to order and that a quorum was present.

Lisa Garcia, Town Clerk