

**TOWN OF KEARNY
SPECIAL MEETING MINUTES**

**A SPECIAL MEETING OF THE TOWN COUNCIL OF THE TOWN OF KEARNY,
ARIZONA, AT THE KEARNY TOWN HALL LOCATED AT 912-C TILBURY DRIVE ON
MONDAY, JUNE 5, 2017, AT 4:30 P.M.**

COUNCILMEMBERS PRESENT

Mayor	Debra Sommers
Vice Mayor	Daniel Radcliffe
Councilmember	Rose Bradford
Councilmember	Lana Dalton
Councilmember	Nancy Hinojos
Councilmember	Samantha Misita
Councilmember	Sheila Stephenson

TOWN STAFF PRESENT

Town Manager	Anna Flores
Town Clerk	Cathy Woolery

VISITORS PRESENT

Edna Lawrence	Diana Herrick
Carol Lewis	Ron Buckley
Gwen Dinwiddie	Ramon Rubalcaba
Sam Hosler	Pat Walker (Telephonically)

CALL TO ORDER/PLEDGE OF ALLEGIANCE

Mayor Sommers called the meeting to order at 4:00 p.m. followed by the Pledge of Allegiance.

ROLL CALL

Mayor Sommers requested Town Clerk, Cathy Woolery, to call the roll. Quorum was present.

CALL TO THE PUBLIC

Ramon Rubalcaba expressed his thanks for allowing him to do the boat project with his students. He commended the Mayor, Town Council, Town Manager and town staff for their support and positive enthusiasm about the project.

**2017/18 TENTATIVE BUDGET APPROVAL AND ALTERNATIVE EXPENDITURE
LIMITATION AND SETTING THE PUBLIC HEARING DATE**

Town Manager Anna Flores provided background information for this item. The detail tentative budget will be presented to the Council by Pat Walker. Pat Walker, telephonically, summarized that the total budget for FY18 is \$6,563,173, which is 9.71% higher than the FY17 budget of \$5,982,386. This is primarily a result of budgeting for three EMS positions if casino will reimburse the Town, payment of new ambulance, and HURF fund increase due to one-time adjustment of state shared revenues. Grants will be increased a bit also. Pat explained the Town is doing a great job of managing expenditures but the problem is that the Town is using the fund balance. The Town is only able to put away 12% in a contingency reserve which is about 6 weeks of expenditures. The fund balance is still being used to balance the budget. What that means is that the town is estimated to start FY18 with \$1.1M fund balance and end with a \$693K fund balance. Two ways of addressing this is to cut

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expenditures or raise revenues. Pat stated that tonight the ceiling on the budget will be set. It can only be decreased but not increased after tonight. The general fund, 31.3% of the total town budget, has shown increases in sales tax lately, and also FY18 state shared revenues have increased to over \$600K estimated for FY18. Approximately 61% of the General Fund budget is employee wages and benefits which is pretty common because government provides services. ASRS will increase from 11.48% to 11.50%. PSPRS has a huge impact of increasing to 74.13% due to the Town's portion of unfunded liability. There are also some legal cases that have impacted the rate. Pat stated there was an email that came out from the league with possible options to get a lower amount with the contribution rate but would have a long-term impact with interest rates. Councilmember Bradford asked what made the rate jump from 31.48% to 74.13%. Pat explained this is a calculated actuarial rate based on how many people have retired, how many people are in the system, and people that have left the Town. If someone leaves the Town then the liability stays with the Town. The actuarial recalculates that liability every year. There have been two legal cases, the Fields case and the Hall case, which also caused the recalculation to have to retro back including a cost of living increase. She explained Anna has copies of the actuarial rates. Councilmember Misita asked how and why the percentage of Kearny is different than someone else. Pat explained it is based on the actuarial experience level of each town individually, so it is based on Kearny police department issues, employees, and retirement. There are many factors that go into the calculation. Vice Mayor Radcliffe asked if an officer leaves Kearny and then does not go to be an officer with another agency then is the town still liable for his benefit. Pat stated if they are vested in the system, which she thinks is five years, and they quit and do not work as an officer somewhere else, then Kearny is liable for that pension in the future. Vice Mayor Radcliffe commented if they have two years from Hayden and then come here for three years then Kearny has the liability. Mayor Sommers said yes because we take on their retirement. Pat stated she will research the time factor and will get back to them on that. Mayor Sommers asked if they retire from public safety and then go work somewhere else they cannot enter the public safety retirement system. Pat Walker expressed they can but it is at an alternate contribution rate. If they are not vested in the system and they quit they will just refund their money, and the town is not on the hook for that. It is when they retire that the town is liable. Pat will get with Town Manager Anna Flores and provide more information in a memo for the council on the impact of PSPRS retirement issues. Councilmember Bradford asked if the League came up with an alternative option. Pat reiterated yes, but the option would be long-term with interest as an alternative but will not reduce your liability. Pat summarized the General Fund budget which is about \$2M which has increased 13.35% from the FY17 budget. State shared revenues have increased. The General fund will have a contingency reserve of \$211K, 12%, in the contingency fund which will be about six weeks of expenditures. Pat summarized the Special Revenue Funds – HURF and Transportation Sales Tax Fund, Grants, and Enterprise Funds (Water & Sewer, Sanitation, and Ambulance). HURF will increase slightly in revenues for FY18. Overall there is a decrease as a result of using up the fund balance in FY15. Transportation Sales Tax Fund will see decrease overall as the fund balance was used in FY17 for street projects with only \$112K left in carryforward fund balance for FY18. Grants will be budgeted at \$2M because even if we do not get the grant it needs to be budgeted. If it is not appropriated then the Town will not be able to spend the funds. The Enterprise Funds are meant to be self-supporting with fees collected to cover expenditures. Sanitation has been outsourced which will result in saving the Town approximately \$20K per year. Looking ahead for items that were identified during the FY18 budget process would be updating a water and sewer plan, potential implementation of a local business license, indirect cost allocation and fee studies, review of police/court fines, and develop financial policies for the Town. Total budget for FY17 was summarized as follows: General Fund – 13.35% increase; Highway User – 51.83% increase; Local Transportation Assistance Fund – no budget as fund balance is depleted; Transportation Sales Tax Fund – 57.68% decrease; Miscellaneous Grants Fund – 8.13% increase;

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Capital Projects Fund – no budget as has been moved to Miscellaneous Grants Fund; Utilities Fund – 16.57% increase; Sanitation Fund 13.05% increase; Ambulance Service Fund 79.52% increase; Firefighter's Pension – budget stays the same. Next, Pat explained the cost of living index increased by 2.5%, so the budget line items were based on an average increase of 2%. Mayor/Council expenditure budget is \$28,260; Administration expenditure budget is \$322,902. Health insurance budget was increased as health insurance costs will continue to rise. Workers comp insurance was explained. Police and patrol expenditure budget is \$679,812 with salaries budgeting a chief, a sergeant and four officer positions. Retirement is 74% of salaries. Health insurance has increased and workers comp has gone down a bit based on the annual rates. This will fluctuate. Councilmember Misita asked about dental insurance. Pat explained that budget is about the same but having vacancies in FY17 is causing the savings. Pat stated there is no budget for animal control. Town Manager Anna Flores explained animal control from Pinal County is called on an emergency basis only, and they usually work with us and don't charge. Fire expenditure budget is \$93,544. Workers comp insurance rate is low because they are volunteer. Equipment purchases budget in fire is higher with \$28K for turnouts and \$10K for command vehicle. Councilmember Bradford asked what fire calls line item includes. Pat stated she would find out but thinks it is maybe for Wildland fires. Public Works – Parks expenditure budget is \$88,029. Primarily the increase in budget is for utility increases and vehicle expense which is maintenance. Pat asked if the Council was interested in looking at replacement costs versus maintenance for vehicles. Council stated yes. Attorney expenditure budget is budgeted the same at \$36,000. Magistrate expenditure budget is budgeted at \$74,066. Councilmember Bradford asked if the utilities of \$21,478 are if the building is taken by the Town and the County no longer pays. Pat stated yes. Town Manager Anna Flores commented she doesn't know how long it will take for that because they are still discussing redistricting. Councilmember Misita questioned office supplies increase. Councilmember Bradford also commented that memberships, books, and dues went up. Pat stated she will find out and provide for Council. Councilmember Misita also stated to look at travel and training. Recreation expenditure budget is \$22,260. Pool season was for two months last year and also this year. Library expenditure budget is \$74,386. Health insurance costs are budgeted higher. Audit and accounting will be looked at because it looks a bit high. Councilmember Stephenson asked how many people are in salaries in library. Pat stated two people. Councilmember Bradford asked if health insurance for two people is \$10K. Pat said yes and cost is estimated at \$808 per month for employee. There was discussion by the Council regarding looking at health insurance options which may be cheaper. Town Manager Anna Flores stated that in October we will get new rates and can look at that then. Pat stated that can be looked at in October and put as part of the strategic plan. There will possibly be another big increase and our broker recommended budgeting 15% to 18% more. Pat stated this can be looked at before renewal and consider options with plans, deductibles before renewal. This is a policy issue which is deciding how much does the town want to put toward each employee. Also, to keep in mind there are still a lot of towns and cities that do pay a portion of family costs and Kearny only pays for the employee, but this is a good discussion item. Also, compare this to other communities. Councilmember Bradford asked how many employees are in public works streets. Pat stated four people. Councilmember Misita asked what deferred compensation is. Town Manager Anna Flores explained this is a retirement fund like a 401K. Councilmember Misita questioned the increase in miscellaneous. Pat stated she would research this because the projected is estimated higher. Vice Mayor Radcliffe stated building repairs and maintenance is way under with equipment repairs and maintenance being high, so maybe it went to the wrong line. Police/Dispatch budget expenditure is \$207,734. Health insurance increases are budgeted. Travel and training was included at \$5K upon department request and was put in just in case Council wants. Council stated that they do want that to be included because they need to catch up on training. Councilmember Bradford asked about the

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salaries and number of employees. Pat explained there are several part-time employees and five full time employees with one being a supervisor. HURF expenditure budget is \$230,214. Pat discussed that the town is using the Transportation Sales Tax fund instead of HURF, and that the town is doing street maintenance projects. The HURF will be used in FY18 because Transportation Sales Tax was used this year and doesn't have as much remaining. Councilmember Bradford had a question about the total in the HURF and what was under Capital Outlay of \$96K. Councilmember Misita asked what is Capital Outlay. Pat explained that it is possible it was an auditor reclassification for street repairs. Pat also explained that the appropriation was used by Capital Outlay, and you cannot spend more than you have budgeted. Vice Mayor Radcliffe asked what happens to the money you do not spend. Pat explained the amount of money not spent last year will roll forward into the fund balance which is about \$54K. Also, until the audit has been completed you will not have final numbers. Pat discussed the LTAF – Local Transportation Assistance Fund has no budget for FY18, and only way you can get the money is if you have a rapid transit program. Pat suggested this could be funded through the General Fund if that is what the Council wants, and will put it under Public Works/Streets in the General Fund. The Council discussed that they may not want that to be the place to put it under in the General Fund. Mayor Sommers asked if this would come from the contingency fund. Pat Walker stated yes. Councilmember Bradford explained the van is the only thing the senior center has and they tried to get a grant last year. Councilmember Misita asked about how many people use it. Town Manager Anna Flores and Councilmember Bradford stated about 10. Grants are based on usage and need to use more for community use in order to get the grant. Town Manager Anna Flores stated that Council can look at options. but we can't compete with the other municipalities in getting the grant. Mayor Sommers stated they will continue to look at what to do with this. Recreation was suggested as the department to put it in. Pat explained because it is transportation it would be best listed under public works/streets new line item. Vice Mayor Radcliffe asked that it be put in the budget so that if they do decide to use it then it is available, if not they cannot use it. Councilmember Misita asked about charging for use of van, and Pat stated that did not have to put in budget right now, but can do that. Next, the Transportation Sales Tax was explained by Pat. Vice Mayor asked if this is for paving for the streets. Councilmember Misita asked what the fund balance carryforward was. Pat said about \$112K would be carried forward which was appropriated in FY18. Councilmember Misita also asked what utilities is, and Town Manager Anna Flores explained it is street lights. Grant fund is inclusive of any grants which the Town may potentially get with a total of \$2,061,800 for possible spending. Capital Improvement Projects no longer has a separate budget. The Utility Fund has increases for salaries for transferred positions. Bradford asked what debt service is and Pat explained principal and interest on the loans. Total budget for Utilities is \$1,008,892. The CAP reserve is now rolled into the contingency reserve for this year's budget. Sanitation still requires administrative services for the RAD contract such as billing, supplies, and administrative labor. The Interfund Transfer amount to the General Fund may need to be looked at next year with a new indirect cost allocation study to make sure it is not too high nor too low. Next, the Ambulance Fund shows an increase in salaries for three potential positions. The new ambulance is budgeted at \$55K. Councilmember Stephenson noted that health insurance is higher also. Councilmember Misita asked about vehicle expense and if still will have the \$9K budget if we are getting a new ambulance. The Town will still have some vehicle expense. Councilmember Bradford asked for clarification on the \$55K and was explained that is the payment on the new ambulance. Contingency Reserve is \$25K. Councilmember Misita asked why the contingency reserve is so different than last year. Vice Mayor Radcliffe asked if the Ambulance Fund is doing better, and Pat explained that it appears so. Town Clerk Cathy Woolery stated that the Ambulance Fund is not contributing anything to the General Fund as an Interfund Transfer because they needed the money for buying new ambulance. Councilmember Bradford asked about how much

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revenue the billing service brings us. Councilmember Misita asked about the bad debt expense and what the billing service charges us. Town Clerk Cathy Woolery explained the charge is 7.25% of what they collect and monthly revenue is about \$34K to \$40K. Mayor Sommers asked if the Bad Debt expense is because of what the insurance companies pay such as AHCCS. Town Manager Anna Flores stated that we charge \$1300, but Medicare only pays \$300 so would have to write off \$1000. Town Manager Anna Flores stated we did get our new ambulance rate increase. Pat summarized the Firefighter Pension Fund which is the amount taken in for the benefit payments and the amount paid out. Total Budget is \$3200. Pat Walker spoke on the amount of employee increase included in the General Fund of \$23K and for all funds is \$33K at 2%. If it is at 1% then it will be \$11K for the General Fund and \$16,500 for all funds. Cost of Living per the CPI – Consumer Price Index is 2.5%. Property tax was then discussed with the Council. Councilmember Misita asked if Pat would be looking at the Interfund Transfers. Pat stated she would not be able to do that before the budget is adopted, but she recommends it be looked at during the fiscal year. There is no restriction on those except for the HURF fund, but you may need to do if you are subsidizing the general fund more than what the costs are. The Council may want to know that the transfers are a policy decision. It is not against the law in Arizona. Councilmember Misita questioned the landfill budget line item. Mayor Sommers explained the free dump day is actually dumped at the landfill. Since 2012 Pinal County has not been billed, and we are in the process of seeing if they are going to pay or not. Councilmember Misita said we still have to budget for the landfill. Mayor Sommers also said free dump day needs to be looked at, but we may have to do away with that. Pat commented that she will still budget for the Interfund Transfer. She explained if we do get the money from Pinal County then we will just not transfer all of the \$37K to the General Fund. Next, Pat explained the property tax levy and summarized there are three options the Town can take. The assessed value in the Town has increased for the first time in a long time. The current tax rate of \$2.2471 if adopted will require a truth in taxation hearing and would result in an estimated increase in the general fund of \$4,300. If the Town chooses to set the property tax rate at \$2.209 then the increase of revenue would be approximately \$2,800 and would not require truth in taxation hearing. If the maximum allowable rate is adopted at \$3.3467 then this would result in approximately \$65,000 increase in revenues and would also require a truth in taxation hearing. She explained that last year the Council did all the legal steps required for the maximum levy but then did not end up approving it. The three options again for the property tax rate is that you can lower it, keep it the same, or you can increase it which will affect how much money you want to bring into the general fund. Also, Arizona has a law that if the levy increases more than 15% minus new construction, then you must have a unanimous roll call vote to approve that. Councilmember Misita and Vice Mayor Radcliffe asked if they can pick a rate anywhere in between. Pat explained absolutely they can go anywhere in between the \$2.2209 and the \$3.3467. Vice Mayor Radcliffe commented they may need to pick another rate in between because may need to increase again next year. Pat said she can tell you how much it would be in revenues at different rates if they would like to pick a different rate. Councilmember Misita asked how much was used of the contingency last year. Pat stated about \$155K was used in FY 16/17. Town Manager Anna Flores explained that has been the case since 2007. Councilmember Misita asked about FY 15/16 and Pat stated it was \$221K in FY15/16. Councilmember Misita asked about possibly increasing sales tax so that it would not just affect the Kearny residents, but also everyone that comes here and shops here. Pat said it would increase by \$182,274 if increase sales tax from 3% to 4%. Bed tax was also discussed and if you raise that then you can only use it toward tourism and economic development required by the state law. Rental tax is not required to use for that and would go toward general fund if they wanted to raise the rental tax from 3% to 4%. Councilmember Bradford also made a comment that a lot of the rental property owners are not collecting nor paying rental tax. Town Manager Anna Flores stated that

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is the same way with the business owners who don't pay because we do not require them to have a business permit. Councilmember Misita commented about raising the sales tax by 0.5% and the rental tax by 0.5%. Pat explained it would just need to be posted on our website 60 days before taking action that Council is considering increasing sales tax and rental tax by a percentage range. Council discussed the property tax options and differences in revenues of increasing sales tax and property tax at different rates. The councilmembers suggested going with the lower property tax rate of \$2,2209 and agreed that is what they want to do, and sales tax increases would be in all categories of 0.5% to 1% increase, except bed tax. Pat will also provide the Council with comparisons of sales tax with other communities. Also, there are certain rules with some categories that may not be able to raise based on state statute.

Motion by Vice Mayor Radcliffe, **second** by Councilmember Stephenson to approve the 2017/18 Tentative Budget of \$6,563,173 and Alternative Expenditure Limitation and Setting the Public Hearing for June 26, 2017 at 4:30 p.m. **Vote** - All members voted in favor. **MOTION PASSED.**

DISCUSSION AND POSSIBLE APPROVAL OF PUBLIC SALE OF THE 1988 MACK GARBAGE TRUCK

Town Manager Anna Flores presented the background information for this item. The 1988 Mack garbage truck is no longer needed by the Town. It can be sold in the public auction with Sierra Auction Management as a non-runner item which makes the buyer responsible for the removal. It is recommended the Council authorize the sale of the truck.

Motion by Councilmember Bradford, **second** by Vice Mayor Radcliffe to approve the public sale of the 1988 Mack garbage truck. **Vote** - All members voted in favor. **MOTION PASSED.**

AUTHORIZATION TO CANCEL THE JUNE 19, 2017 COUNCIL MEETING

Town Manager Anna Flores explained the June 19, 2017 Regular Meeting is being recommended for cancellation due to scheduling conflicts. Most municipalities cancel a meeting in the summer.


Motion by Councilmember Stephenson, **second** by Vice Mayor Radcliffe to approve the cancellation of the June 19, 2017 Regular Meeting. **Vote** - All members voted in favor. **MOTION PASSED.**

ADJOURNMENT

Motion by Vice Mayor Radcliffe, **second** by Councilmember Misita to adjourn. **Vote** - All members voted in favor. **MOTION PASSED.** Meeting was adjourned at 7:42 p.m.



Debra Sommers, Mayor



Anna Flores, Town Manager

ATTEST:



Cathy Woolery, Town Clerk

CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Special Meeting of the Town Council of the Town of Kearny held on the 5th day of June, 2017. I further certify that the meeting was duly called and that a quorum was present.

Dated this 5th day of June, 2017


Cathy Woolery, Town Clerk