



Founded 1876
Incorporated 1899

TOWN OF JEROME, ARIZONA

POST OFFICE BOX 335, JEROME, ARIZONA 86331
(928) 634-7943 FAX (928) 634-0715

MINUTES

SPECIAL MEETING OF THE JEROME TOWN COUNCIL JEROME CIVIC CENTER - 600 CLARK STREET - COUNCIL CHAMBERS WEDNESDAY, MAY 24, 2017 AT 4:00 P.M.

<p>ITEM #1:</p>	<p>CALL TO ORDER/ROLL CALL/PLEDGE OF ALLEGIANCE</p> <p>Mayor/Chairperson to call meeting to order. Town Clerk to call and record the roll.</p> <p><i>Mayor Vander Horst called the meeting to order at 4:02 p.m.</i></p> <p>Town Clerk to call and record the roll.</p> <p><i>Town Manager/Clerk Candace Gallagher called roll. Present were Mayor Vander Horst, Vice Mayor Kinsella, Councilmember Barber and Councilmember Currier. Councilmember Bachrach arrived at 4:25 p.m.</i></p> <p><i>Also present were Joni Savage, Deputy Clerk, and Megan Trout, CPA.</i></p> <p>Mayor/Chairperson or designee to lead the Pledge of Allegiance.</p> <p><i>Mayor Vander Horst led the pledge.</i></p>
<p>ITEM #2: 4:03</p>	<p>2015-16 AUDIT</p> <p>Matt Bingham of Colby & Powell, PLC will present the Town's audit for the fiscal year ended June 30, 2016. Following the presentation, Council may vote to accept the audit.</p> <p><i>Mr. Bingham introduced himself and spoke briefly about his firm, Colby & Powell. He reviewed the standards and process used by the auditors when performing our audit. He said that the Town received a "clean opinion" for each unit of our financial statements.</i></p> <p><i>Mr. Bingham explained, "We gain an understanding of your controls, but we don't audit them. If we find something significant, we will put that in your report. For this fiscal period, there was nothing significant, but it doesn't mean it was perfect. Our general observations were there was a good control environment regarding accounting seriousness." He noted that we now have written policies and procedures, which many towns the size of Jerome do not have, and commended the Town for being "willing to ask and pay for outside help." "When you ask us to come in to do the audit," he said, "you guys are ready, everything is in order, and we make very few audit adjustments." He added that the only bad thing this year is the timing. We missed the audit deadline of March 31. Councilmember Currier asked why we were late, and Ms. Gallagher explained that Ms. Cretti had not been ready.</i></p> <p><i>Mr. Bingham noted that some department budgets were slightly exceeded, but he did not feel that it was significant. There were a couple of journal entries that they needed to make, including regarding a capital lease and other liabilities, "but again, nothing significant."</i></p> <p><i>He noted that there are new pronouncements coming that may affect the Town of Jerome. The first one, GASB 75, relates to post-employment benefits in Public Safety Retirement. He spoke about a health insurance benefit that officers receive, and that this liability had not yet been dealt with in the accounting standards. "That line will have to show up in your books, if there is one," he said, "but I believe it will be an asset and not a liability."</i></p> <p><i>Vice Mayor Kinsella asked if this coming from the federal or state level. Mr. Bingham responded that it is from an independent agency, but the State requires that we follow what they pronounce.</i></p>

	<p>Vice Mayor Kinsella asked if this relates strictly to the police pension, and not the fire pension.</p> <p>Mr. Bingham confirmed that it does, and said, "I don't know if this will affect the town. ... It is probably for larger cities." He noted that it has to do with tax abatements by the municipality, which would have to be disclosed in the financial statements.</p> <p>He continued speaking about PSPRS and said that, in this case, it is an asset of \$119,000. He expects that will decrease a bit due to a current court case where too much was withheld for a period of time.</p> <p>Mayor Vander Horst asked how that would be paid back.</p> <p>Ms. Gallagher said that she is aware of this and she has reduced the withholding accordingly. She expects that PSPRS will reimburse the employees directly for their overpayments.</p> <p>There was some discussion and speculation about the possible amount needed to be returned to the police officers.</p> <p>Mayor Vander Horst commented that, in future financial statements, we should have a footnote showing why this balance is reduced.</p> <p>Mr. Bingham displayed another slide comparing Jerome with three other Towns. "The interesting thing about Jerome," he said, "is, your current assets cover all of your current liabilities. The unrestricted net position was positive; in fact Jerome was the only town with a positive net position and unrestricted assets." He added that the other towns shown do not have the amount of tourism that Jerome does.</p> <p>Mr. Bingham then invited questions from Council.</p> <p>Vice Mayor Kinsella asked how long his firm had been involved with the Town of Jerome.</p> <p>Mr. Bingham replied that they have been working with the Town for four or five years.</p> <p>Mayor Vander Horst asked for clarification regarding "fiduciary funds."</p> <p>Mr. Bingham explained that this refers to funds held for the firefighters' pension.</p> <p>Mayor Vander Horst asked where the \$119,000.00 asset he spoke of with respect to PSPRS appears in the statements.</p> <p>Mr. Bingham said that it is in the capital assets.</p> <p>There followed a brief discussion regarding the timing of the next audit. Mayor Vander Horst asked if it would be possible to have it completed before the end of 2017.</p> <p>Ms. Gallagher responded, "That is the goal, but we have to get ready for them." It was noted that a lot has changed here, and that we have different personnel going forward. "We'll try to get prepared sooner," Ms. Gallagher said, "but we will have a big learning curve."</p> <p>There was brief further discussion, and Vice Mayor Kinsella stated, "It's all getting better," and thanked Mr. Bingham for his presentation.</p> <p style="text-align: center;">Motion: Councilmember Currier made a motion to accept the audit findings and it was seconded by Vice Mayor Kinsella. The motion passed, 4-0.</p>
<p>ITEM #3: 4:35</p>	<p>2017-18 BUDGET</p> <p>Council will discuss the 2017-18 budget and review the Manager's first draft of same.</p> <p>Council reviewed the Manager's first budget draft, and her memo regarding same.</p> <p>Her memo explained that:</p> <ul style="list-style-type: none"> • Except for contingencies, no general fund balance has been appropriated; however, as of 6/30/16, the Town has accumulated nearly \$700,000 in fund balance. She suggested that Council may wish to consider appropriating some of that. • No increases in property tax, sales tax or utility fees are anticipated.

- The general fund continues to subsidize the water and sewer utilities (in this draft, \$19,000 and \$22,000, respectively).
- As in past years, the sanitation budget includes a \$5,000 transfer to the capital fund toward the purchase of a garbage truck. This would bring the total set aside to date to \$35,000. She has included that \$35,000 as a possible expenditure from the capital fund, which would allow for a down payment during the coming year, if necessary.
- The sanitation budget also includes \$9,000 for the purchase of new dumpsters.
- She has included funding for R&M in the various budgets as follows:
 - Parks - \$3,000 (to supplement Tribe funding to complete the horseshoe pits)
 - Properties – Buildings \$25,000 (to include Hotel Jerome repairs and heat for courtroom, as well as general maintenance); Infrastructure \$15,000 (to include wall repairs above and below School Street and lining the flume above Magnolia with pipe); Engineering \$20,000 (for structural engineer's assessment of walls above School Street and the cordoned off steps)
 - In reviewing her memo, Ms. Gallagher noted that the \$20,000 for engineering actually belongs under Grants, not Properties, and she will move it there, increasing the surplus in this budget to \$58,500.
 - Streets - \$10,000 + \$1,000 engineering (routine maintenance + projects TBD)
 - Water - \$25,000 plus \$5,000 engineering (routine maintenance + projects TBD)
 - Sewer - \$25,000 + \$1,000 engineering (to include completion of Gulch Septic tank installation and routine maintenance + projects TBD)
- The budget provides for the purchase and installation of a new server (recommended by our IT firm) and firewall, as well as laptops for the Deputy Clerk and Zoning Office, and two heavy-duty durable tablets for Public Works.
- It reflects savings to be realized by replacing the former full-time Finance Director position with a part-time (30 hrs/week) bookkeeper, and provides for consultation by an accounting professional on a monthly and/or as-needed basis.
- It continues to fund fuel abatement personnel, a police administrative assistant, a shuttle driver and zoning assistance at their current levels.
- It allows for the promotion of a crew member to Crew Chief.
- It includes an across-the-board 2% wage increase.
- It provides for employee gift cards at the same level as last year (\$100 for full-time and \$50 for part-time employees).
- It includes \$3,000 towards conventions, seminars, training and education to allow for attendance by members of Council at the August League convention and/or other training for Council and/or staff.
- She noted that wages for the shuttle driver are now included under "Salaries and Wages" in General Government, rather than under the "Tourism" expense line.
- The General Fund CONTINGENCY budget appropriates certain funds from the general fund balance to be used, if necessary, for litigation (\$18,000) and Hotel Jerome repairs (\$50,000).
- The draft budget does not yet include:
 - Any additional wage increases Council wishes to consider
 - Funds to purchase real property
 - Additional crew members for Public Works
- The draft budget includes a surplus of \$38,500 in the General Fund. Ms. Gallagher noted that this figure increases to \$58,500 with the transfer of \$20,000 engineering costs to the

grants budget.

Ms. Gallagher said that she believes that she has adequately accounted for the Town's routine expenditures, and requested input from Council regarding:

- How (and whether) to allocate the remaining \$58,500 in the General Fund
- Wages
- Whether amounts budgeted will allow for desired projects and purchases
- Whether to budget the use of fund balance (other than in the Contingency fund)

She added that some estimated figures for routine expenditures are still under review and are subject to minor adjustments as needed.

Discussion ensued. Vice Mayor Kinsella stated that he has worked with a lot of budgets over the years, and this budget was one of the easiest to read, understand and get a grasp on. Council thanked Ms. Gallagher for her work on it.

A summary of Council's discussions, by topic, is set forth below, not necessarily in chronological order.

CYMA Accounting software:

Mayor Vander Horst said that he believes that our CYMA software is obsolete, and he would like to discuss switching to something else. Ms. Gallagher recommended that, if Council does wish to switch, we use a system that is used in neighboring towns. It was noted that there would be a learning curve, and when a new person is hired, we may consider using a system that that person is familiar with.

Engineering for wall near Town Hall:

Ms. Gallagher explained that we had received a quote from our current engineering firm for structural engineering which they felt was necessary with respect to the wall above the cordoned off School Street steps. When we initially applied for funding from Freeport-McMoRan, the project had been estimated at \$30,000. Following that, our engineers determined that it would be a much more expensive project, and would require structural engineering. The grant we received in the amount of \$20,000 would cover that engineering cost. Council discussed engineering briefly, and expressed a general dissatisfaction with our current engineering firm. Ms. Gallagher noted that there is a 60-day cancellation clause in our agreement with them.

Sliding Jail property:

Councilmember Barber brought up the possibility of including funding to buy back the Sliding Jail property. She said that she had not seen an accounting of the Historical Society's costs on this project. Vice Mayor Kinsella explained that it had come in under budget.

Councilmember Currier said, "It looks beautiful, but I don't want to buy it back until we watch it for at least a year."

"Why would we ever want to buy it back?" Mayor Vander Horst asked. "I'm happy waiting a year."

Councilmember Bachrach commented that it looks excellent, and asked if the Historical Society would be planting trees.

Vice Mayor Kinsella said that they want to see how it does with the rain, and what wildflowers come up. They were able to save a lone pine tree there, he said, and they would like to create an amphitheater, rather than a walking trail.

Staffing and compensation:

Councilmember Bachrach said that he would like to change the Town's ordinance so that the Public Works Director is no longer required to live in town. He commended the work being done by Marty Boland, who currently holds the title of "Deputy Director" because he does not live in Jerome.

Councilmember Barber added that we are also lucky to have Greg Gardemann working with the crew from time to time.

Mayor Vander Horst said that there had been a general consensus at the recent Council retreat regarding six key positions that are under-compensated. "If we added 10% to those positions," he said, "it would total about \$26,000, and that would be half of that additional \$58,000 in the General Fund."

Councilmember Currier spoke about the need to be competitive, and noted that, even with that change, we would still have the lowest wages in Arizona, according to the League's annual salary survey.

Vice Mayor Kinsella said, "We realize we have to do something," and added, with respect to adding another crew member, that Mr. Boland is "a firm believer in quality over quantity. He doesn't want just another warm body."

Councilmember Currier agreed that we need both more people and better quality, and is "ready to put some money towards that."

Mayor Vander Horst agreed also, and added that he would want to get the right people in, and pay them a higher rate.

There followed a discussion regarding the issue of terminating employees that are not meeting expectations. Ms. Gallagher stated that, with respect to the Town Crew, she is leaving those decisions up to Mr. Boland, and she will back him up.

Councilmember Currier commented that, at our pay rates, it is difficult to get good employees.

Councilmember Bachrach asked, "Is there is any position that is not worth \$15.00 an hour? We need to take care of the people that do a good job."

Discussion followed regarding current, competitive and future pay rates.

Councilmember Bachrach said that he opposes a 2% wage increase across the board. "People who perform should get paid more to keep them," he said, and added, "We need to hang on to Mr. Boland."

Mayor Vander Horst asked what a 5% total wage increase would amount to, and Ms. Gallagher estimated that it would add about \$25,000 to the payroll cost in the budget that was presented (which included a 2% increase).

Vice Mayor Kinsella commented that he was surprised to find, when the audit was presented, that we have come out so well, considering all that has been going on. "We have extra money," he said, "and I think we should utilize that extra money in wages and our assets, one of them being the Hotel Jerome." He agreed with Councilmember Bachrach that he does not believe in across the board wage increases. "Some people work really hard," he said, "and others don't. They should be compensated accordingly. We should look at what we had talked about at the retreat in regards to key players. We should also talk about who needs to live where and that type of thing. We need to seriously look at who we can't afford to lose and who we can afford to lose."

He added, "Obviously, we don't want to spend all of the money. We want to have reserves."

Water:

Mayor Vander Horst asked about the status of a \$50,000 grant we were told we would receive from Freeport-McMoRan for a water study. Ms. Gallagher said that she has not heard further from them, and would contact them for an update.

Councilmember Currier asked about the springs, and what Mr. MacVittie feels we need to do. Ms. Gallagher said that he has provided a spreadsheet in this regard.

General:

At this time, Mayor Vander Horst asked if Council could agree on the budget that was presented by the Manager, with the exception of a decision yet to made regarding wages

and money to be spent for capital projects. Council agreed.

Vice Mayor Kinsella suggested that we include some funds for items related to the recent traffic study: painting, signage, etc.

Mayor Vander Horst commented that the Town has almost \$60,000 in surplus in this budget, and about \$700,000 in general fund balance.

Councilmember Currier said that he would like to retain about \$500,000 in fund balance.

Sale of Town property:

Mayor Vander Horst said, "We have assets that I don't think we should have, and they are down in Clarkdale. We should plan on selling at least one of those. And we should maintain the cemeteries in Clarkdale and Jerome." He said he would like to include the sale of that property in the budget. Ms. Gallagher said that it is currently included under contingency at \$300,000.

Vice Mayor Kinsella agreed with the Mayor, and said, "It is 19.33 acres that is sellable property. I just want to make sure that we have everything in order for Clarkdale." Mayor Vander Horst said that he has discussed this with Mayor Von Gausig, and we can sell the property "as is."

There was a brief discussion regarding cash on hand and cash flow, and the Mayor said, "If we want to keep \$500,000 in cash, we've got about \$100,000 that we can put into the budget for assets, plus whatever we get from the property in Clarkdale."

Vice Mayor Kinsella mentioned that the Yavapai County probation department could clean up the cemetery for us. The Historical Society used to have a list of who was buried where, he said, but "somehow it ended up in Clarkdale."

Capital projects:

Council discussed various projects they would like to add to the budget, and Ms. Gallagher wrote them on a white board: Cemetery work (\$20,000); Hotel Jerome (\$50,000); Sidewalks/streets in front of town-owned properties (\$50,000); Springs repairs (\$75,000); Horseshoe Pits (\$18,700 grant); Parking lot at old Town yard (\$30,000); Wall behind old Town Hall; Springs security.

Ms. Gallagher noted that \$50,000 for the Hotel Jerome is already in the budget under Contingency.

Councilmember Currier asked what the sidewalk work would include. Mayor Vander Horst explained that we would repair the sidewalks on 89A (Main Street). Discussion followed.

"How do we know if we own them?" Vice Mayor Kinsella asked. He noted that the Town Code indicates that sidewalks are the responsibility of the adjacent property owners.

Ms. Gallagher noted that an old agreement with ADOT states that the Town would maintain the sidewalks along 89A.

There followed a discussion regarding various sidewalks and who may own them.

Ms. Gallagher reported that Mr. Wolstencroft looked over the Town Hall building, and the chimney on top of the roof is higher than it needs to be; however, it is probably historic. She has asked Chief Muma to send the drone up there to take some photos.

The wall behind the old Town Hall was discussed briefly. It is a dry stack wall that was capped with concrete.

Mayor Vander Horst said that he wants the old Town yard to be turned into a parking lot. Vice Mayor Kinsella estimated that it could provide at least 20 parking spaces, and suggested selling the sheds there to someone that may want the wood.

Councilmember Barber said that she feels we need more security for our water system on Allen Springs Road. She feels it is too easily accessible to the public. Ms. Gallagher commented that she spoke about that recently with Todd Willard of the Forest Service, and he told her that the pipes there are "more vulnerable to cattle than to motor vehicles."

	<p>Vice Mayor Kinsella commented that the only thing we can control is this side of the access. The majority of ATV's that come in, he said, come from Cottonwood.</p> <p>Councilmember Barber suggested using game cameras to monitor the springs at vulnerable places. Ms. Savage suggested that this may be a good use of some of the "Water Planning" funds from Freeport-McMoRan.</p>
ITEM #4:	ADJOURNMENT <p>Upon motion by Councilmember Currier , seconded by Councilmember Barber and unanimously approved, the meeting was adjourned at 6:14 p.m.</p>

Edited by Town Manager/Clerk Candace Gallagher from minutes taken and transcribed by Deputy Town Clerk Joni Savage.

APPROVE:

ATTEST:

Frank Vander Horst, Mayor

Candace B. Gallagher, CMC, Town Manager/Clerk

Date: _____