

**Minutes of a Special Session of the Common Council of the Town of Clarkdale
Held on Tuesday, April 22, 2014**

A Special Meeting of the Common Council of the Town of Clarkdale was held on Tuesday, April 22, 2014, at 3:00 p.m. in the Clark Memorial Clubhouse, Men's Lounge, 19 N. Ninth Street, Clarkdale, Arizona.

CALL TO ORDER – Meeting was called to order at 3:00 P.M. by Mayor Von Gausig.

Town Council:

Mayor Doug Von Gausig

Vice Mayor Richard Dehnert

Councilmember Reynold Radoccia

Councilmember Curtiss Bohall

Councilmember Bill Regner

Town Staff:

Town Manager Gayle Mabery

Town Clerk/Finance Director Kathy Bainbridge

Finance Supervisor Kathy Cwiok

Community Development/Economic Director Jodie Filardo

Community Services/Human Resources Director Janet Perry

Utilities/Public Works Director Wayne Debrosky

Utilities Supervisor Ellen Yates

Deputy Clerk Mary Ellen Dunn

PUBLIC COMMENT – The Town Council invites the public to provide comments at this time. Members of the Council may not discuss items that are not specifically identified on the agenda. Therefore, pursuant to A.R.S. §38-431.01(G), action taken as a result of public comment will be limited to directing staff to study the matter, responding to any criticism or scheduling the matter for further consideration and decision at a later date. Persons interested in making a comment on a specific agenda item are asked to complete a brief form and submit it to the Town Clerk during the meeting. Each speaker is asked to limit their comments to five minutes.

Drake Meinke, Clarkdale resident, recommends Trip Advisor advertising for Town businesses and ventures. It costs nothing and creates a large return.

CONSENT AGENDA - The consent agenda portion of the agenda is a means of expediting routine matters that must be acted on by the Council. All items are approved with one motion. Any items may be removed for discussion at the request of any Council Member.

- A. **Reports** - Approval of written Reports from Town Departments and Other Agencies
Building Permit Report – March, 2014
Capital Improvements Report – March, 2014
Magistrate Court Report – March, 2014
Water and Wastewater Report – February, 2014
Clarkdale Fire District Report and Mutual Aid Responses Report – March, 2014
Police Department Report – February and March, 2014
NAIPTA Transit Report – March, 2014\
- B. **A Resolution of the Mayor and Common Council of the Town of Clarkdale, Arizona Committing Local Funds as Leverage for a FY 2014/15 Community**

Development Block Grant (CDBG) Application – Approval of Resolution # 1465 committing \$35,000.00 to the CDBG Program, to be used for ADA Upgrade/Improvements contingent upon the receipt of the FY 2014/15 CDBG assistance.

Councilmember Regner moved to accept Consent Agenda items A & B as presented. Councilmember Radoccia seconded the motion. The motion was approved unanimously.

NEW BUSINESS

PUBLIC HEARING REGARDING THE HOME RULE OPTION – A hearing to receive public input regarding the Town of Clarkdale’s proposed placement of the Home Rule Option (Alternative Expenditure Option) on the August 26, 2014 ballot.

In 1980, Arizona voters approved a tax reform package that, among other things, placed an expenditure limitation on cities and towns. However, this legislation allowed local voters in cities and towns to approve an exception to the state imposed expenditure limitation.

Under a state imposed expenditure limitation, a city or town may only expend a certain amount of funds, regardless of the city or town's revenue or individual needs. The city or town's budget is limited by the state-imposed ceiling.

Under the Alternative Expenditure Limitation (Home Rule Option) the city or town may determine its own expenditures based on a city or town budget. With voter approval, the Town shall be limited to the expenditure of estimated available revenues, whether such expenditures are less or more than, the state imposed limit.

For cities and towns to use the Home Rule Option, the voters must approve the Option on a ballot. The Home Rule Option, to continue, must be passed by the voters every four years. The Town of Clarkdale voters have approved the Home Rule Option every four years since 1980, therefore the Town currently operates under the Home Rule Option.

The Alternative Expenditure Limitation question is scheduled for the August, 2014 election. In the past, the Alternative Expenditure Limitation question had been on the March ballot every four years, the last election being in March of 2010. The approved Alternative Expenditure Limitation at that election covered the budget years 2010-2012 to 2013-2014. The consolidated election laws went into effect on January, 2014. One of the provisions of the new law was that the regular local candidate election for the Mayor and Councilmembers must be held on the consolidated election dates in the fall of even numbered years. In turn, the Alternative Expenditure Limitation elections must take place at the same time as the local mayor/council election. Those changes moved Clarkdale’s election date from March to August, which is past the budget approval timelines for the 2014-2015 budget process. The Legislature approved a “patch” to the problem of exempting those communities needing an Alternative Expenditure Limitation election in 2014 to skipping approval of the 2014-2015 budget and holding the election for the four budget years of 2015-2016 to 2018-2019.

To place this on the ballot, the Town Council must hold two public hearings, this being the first and the second being on April 22, 2014. Immediately following the second hearing, the Town Council must vote to pass a Resolution placing the question on the ballot.

If voters approve, the additional expenditure authority will continue to be used for all local budgetary purposes, including emergency services, municipal utilities, parks/historic preservation, cemetery, streets, grants/other funds and other government services. Revenues received from federal, state and local sources will be used to fund such expenditures (the town property tax is limited to the amount prescribed in the Arizona State Constitution.)

The chart below depicts what the town budget was for fiscal years 2006-2007 through 2013-2014 and what the state imposed limitation would have been if the Town was required to follow its requirements:

Fiscal Year	Amount of revenue that was estimated to be available	Limit of what could be used to fund town operations under State Imposed Expenditure Limitation
2006-2007	27,239,050	4,933,654
2007-2008	27,717,051	5,055,316
2008-2009	12,490,318	5,168,978
2009-2010	33,699,902	5,288,509
2010-2011	29,583,719	5,465,467
2011-2012	30,427,969	5,619,039
2012-2013	27,181,906	5,783,166
2013-2014	20,306,579	5,949,098

The following tables show the calculations required in order to get to the final calculation for the years 2015-2019.

Population figures used in the calculations are provided by the Department of Administration.

Fiscal Year	Population Factor Computation			
	Prior Fiscal Year Population	/	1978 Population	= Population Factor
2015-2016	4210	/	1200	= 3.5083
2016-2017	4290	/	1200	= 3.5750
2017-2018	4390	/	1200	= 3.6583
2018-2019	4480	/	1200	= 3.7333

The inflation factor is provided by Arizona Department of Revenue, Economic Research & Analysis. The factors listed are as of March 2014.

Exclusions for Clarkdale are based upon the following:

1. Any amounts received from the issuance or incurrence of bonds or other lawful long-term obligations issued or incurred for a specific purpose, or collected or segregated to make payments or deposits required by a contract concerning such bonds or obligations.
2. Amounts received a payment of dividends or interest...
3. Any amounts received as grants and aid of any type received from the federal government or any of its agencies.
4. Any amounts received pursuant to a transfer during a fiscal year from another agency, department, office, board, commission, authority, council or institution of the same political

subdivision which were included as local revenues for such fiscal year or which are excluded from local revenue under other provisions of this section.

State-Imposed Expenditure Limitation											
Fiscal Year	1979-80 Base Limit	x	Population Factor	x	Inflation Factor	=	Projected State-Imposed Expenditure Limitation	+	Estimated Exclusions	=	Total Expenditures Under State-Imposed Limit
2015-2016	\$255,616	x	3.5083	x	2.9245	=	\$ 2,622,651	+	\$7,466,842	=	\$10,089,493
2016-2017	\$255,616	x	3.5750	x	2.9706	=	\$ 2,714,615	+	\$6,603,431	=	\$ 9,318,046
2017-2018	\$255,616	x	3.6583	x	3.0200	=	\$ 2,824,088	+	\$4,967,328	=	\$ 7,791,416
2018-2019	\$255,616	x	3.6583	x	3.0735	=	\$ 2,874,118	+	\$3,441,453	=	\$ 6,315,571

ESTIMATED AMOUNTS TO BE EXPENDED IN SPECIFIC AREAS

Purpose	2015-2016	2016-2017	2017-2018	2018-2019
General Government Services	\$ 1,687,520	\$ 1,771,896	\$ 1,860,491	\$ 1,953,515
Library	\$ 93,197	\$ 97,857	\$ 102,750	\$ 107,887
Community Development	\$ 405,829	\$ 426,120	\$ 447,426	\$ 469,798
Municipal Court	\$ 92,257	\$ 96,870	\$ 101,713	\$ 106,799
Police	\$ 1,017,703	\$ 1,068,588	\$ 1,122,018	\$ 1,178,118
Public Works	\$ 480,308	\$ 504,323	\$ 529,540	\$ 556,017
Capital Projects	\$ 764,688	\$ 802,922	\$ 843,069	\$ 885,222
Streets	\$ 746,791	\$ 784,131	\$ 823,337	\$ 864,504
Wastewater	\$ 3,903,780	\$ 4,098,969	\$ 4,303,917	\$ 4,519,113
Water	\$ 3,094,442	\$ 3,249,164	\$ 3,411,622	\$ 3,582,203
Sanitation	\$ 417,842	\$ 438,734	\$ 460,671	\$ 483,704
Cemetery	\$ 119,997	\$ 125,997	\$ 132,297	\$ 138,912
Grants/Development/Donations	\$ 8,444,620	\$ 8,866,851	\$ 9,310,194	\$ 9,775,703
Total Expenses	\$ 21,268,974	\$ 22,332,423	\$ 23,449,044	\$ 24,621,496

ESTIMATED AMOUNTS TO REVENUE FROM EACH AND ANY SOURCE

Source	2015-2016	2016-2017	2017-2018	2018-2019
Federal	\$ 2,521,144	\$ 2,647,201	\$ 2,779,561	\$ 2,918,539
State	\$ 2,585,680	\$ 2,714,964	\$ 2,850,712	\$ 2,993,248
Local	\$ 16,162,150	\$ 16,970,258	\$ 17,818,770	\$ 18,709,709
Total Revenues	\$ 21,268,974	\$ 22,332,423	\$ 23,449,044	\$ 24,621,496

The estimated 2015-2016 budget is based upon the estimated 2014-2015 budget increased by 7.5%. The estimated budgets for 2016-2017, 2017-2018 and 2018-2019 are projections based upon an annual 5% increase.

The chart below depicts town budget estimates for fiscal years 2015-2016 through 2018-2019 and what the estimated state imposed limitation would be if the Town was required to follow its requirements:

Fiscal Year	Amount of revenue that is estimated to be available	Limit of what could be used to fund town operations under State Imposed Expenditure Limitation
2015-2016	21,268,974	10,089,493
2016-2017	22,332,423	9,318,046
2017-2018	23,449,044	7,791,416
2018-2019	24,621,496	6,315,571

With voter approval, the Town shall be limited to the expenditure of estimated available revenues, whether such expenditures are less or more than the state estimates above.

Finance Director/Town Clerk Bainbridge presented information on this topic. Mayor Von Gausig opened the hearing to the public. There was no public comment.

This is a public hearing only, no action is required.

RESOLUTION REGARDING THE HOME RULE OPTION – Discussion and consideration of adopting a resolution placing the Home Rule Option (Alternative Expenditure Option) on the August 26, 2014 ballot.

Under the Home Rule Option, the Town of Clarkdale may determine its own expenditures based on the Town's budget. The Town currently operates under the Home Rule Option and has done so since 1980.

For the Home Rule Option to continue the option must be passed by the voters every four years. The Town of Clarkdale voters have approved the Home Rule Option continuously since 1980. Two Public Hearings are required before the Home Rule Option can be considered by resolution and placed on the August 26, 2014 ballot. The First Public Hearing was at the April 8, 2014 Regular Meeting and the Second Public Hearing was on tonight's agenda

This resolution is proposing an extension of Home Rule Option and must also be translated to Spanish.

Town Clerk Bainbridge gave a brief explanation of the time requirements and definitions of the Alternative Expenditure Limitation Option.

Town Manager Mabery explained the public education process to the council and stated that Town staff cannot advocate for any position but can provide information. We adopted Home Rule in 1980 and it has been adopted every four years since that time.

Bainbridge noted that the Town requests comments for the publicity pamphlet publication, both for and against the measure. All submitted comments are required to be published in the publicity pamphlet at the Town's expense. Town resources cannot be expended to influence the vote. She also noted that the Town newsletter will contain information.

Councilmembers could individually advocate on behalf of Home Rule but not as representatives of the Town and no public resources being expended.

Councilmember Radoccia moved to approve Resolution #1464, a Resolution placing the Alternative Expenditure Limitation (Home Rule) Option on the August 26, 2014 ballot. Councilmember Bohall seconded the motion. The motion was approved unanimously.

CALL OF ELECTION – Discussion and consideration of a Call of Election for an August 26, 2014, Primary Election for three Councilmembers and a Proposition for the Home Rule Option and a General Election to be held on November 4, 2014.

The Call of Election will designate the election dates, the purpose for the election (Councilmembers and Proposition on Alternative Expenditure Limitation - Home Rule Option), the deadline for voter registration, and the place and date for candidates to file nomination papers.

Town Clerk Bainbridge explained that this a procedural agenda item that will be published in the newspaper.

Councilmember Bohall moved for the approval of a Call of Election for an August 26, 2014, Primary Election for three Councilmembers and a Proposition for the Alternative Expenditure Limitation (Home Rule) Option and a General Election to be held on November 4, 2014. Councilmember Regner seconded the motion. The motion was approved unanimously.

FISCAL YEAR 2014-2015 BUDGET WORKSESSION – A work session with the Council regarding the Budget for FY 2014-2015.

A Power Point presentation of the 2014-2015 Fiscal Year Preliminary Budget will show the combination of projected expense and revenue reductions/increases throughout the Enterprise Funds which include the Water Fund, Sewer Fund, Sanitation Fund and Cemetery Fund, along with the non-Enterprise Funds for Grants, Donations and Development Reimbursement. These projections will be fine-tuned as we continue to receive additional information over the next two months.

Several dates should be kept in mind during the budgeting process. State law requires that, on or before the third Monday of July of each fiscal year, the Town Council must adopt a preliminary budget. Functionally though, the Town of Clarkdale adopts a preliminary budget prior to June 30th so that the staff has a guideline for expenditures on July 1st, which is the beginning of the fiscal year. The preliminary budget sets the maximum "limits" for expenditures.

There is no specific date set by state law for adoption of the final budget. However, the deadline for adoption of a property tax levy is the third Monday in August. Since state law requires a period of at least fourteen days between adoption of the final budget and adoption of the tax levy, the deadline for adoption of the final budget becomes the first Monday in August.

Proposed Timeline:

April 22, 2014	Preliminary Budget Worksession
May 22, 2014	Preliminary Budget Worksession
June 10, 2014	Preliminary Budget Worksession (If Needed)
June 24, 2014	Approval of Preliminary Budget
July 22, 2014	Public Hearing for: Final Budget Property Tax Levy Truth In Taxation Resolution on Primary Property Tax Rate Adoption of Final Budget
August 13, 2014	Adopt Property Tax Levy

Finance Manager Bainbridge presented information and a PowerPoint demonstration for the Enterprise Funds which included the Water Fund, Sewer Fund, Sanitation Fund and Cemetery Fund, along with the non-Enterprise Funds for Grants, Donations and Development Reimbursement. Utilities Supervisor Ellen Yates assisted with the Water Utility portion of the presentation.

Discussion followed regarding depreciation. Town Manager Mabery reminded Council that auditors recommend for a healthy system we need to set aside money for depreciation. The amount recommended by the accountant of \$135,000 is based on industry average. We don't feel that that amount is adequate for a 100-year old system such as ours. If we are going to fund the depreciation account the way it is supposed to be funded, we will need a water rate increase and requested Council direction on which way to go. Discussion followed about the options.

Usage fee increase options were discussed:

- 1) Fifteen percent (15%) increase to base rate (guaranteed amount that affects all customers equally);
- 2) Increase to tier rate (affects heavy water users, averages about 14.6%);
- 3) Combination of 5% increase to base and average of 9.9% increase to tier.

Each of these options would give us the numbers we would be looking for funding depreciation. Council gave staff direction to fund the depreciation at \$135,000.

Town Manager Mabery advised Council that the debt service is approaching the 10-year mark and in July 2016 we can re-finance without any penalty to us for remainder of service. WIFA has good rates so that is a possibility.

2014-2015 Preliminary Operational Budgets:

<u>Fund</u>	<u>Expense Budget</u>	<u>Revenue Budget</u>
▪ Water O & M	\$ 1,295,079.88	\$ -82,405.48
▪ Water Capital Improvement	\$ 1,170,635.60	\$ 1,170,635.60
▪ Water Capacity Fees	\$ 74,319.00	\$ 74,319.00
▪ Wastewater O & M	\$ 383,055.78	\$ 383,055.78
▪ WW Plant & Equipment	\$ 2,276,238.81	\$ 2,276,238.81
▪ WW Sludge Removal	\$ 14,490.00	\$ 14,490.00

▪ WW Line Replacement	\$ 490,050.00	\$ 490,050.00
▪ WW Lift Station	\$ 52,820.00	\$ 52,820.00
▪ WW Capacity Fees	\$ 35,786.00	\$ 35,786.00
▪ Sanitation Fund	\$ 284,992.16	\$ 293,000.00
▪ Sanitation Capital Fund	\$ 40,000.00	\$ 83,257.84
▪ Cemetery Fund	\$ 45,100.00	\$ 45,100.00
▪ Cemetery – Perpetual Care	\$ 59,265.00	\$ 59,265.00
▪ Developer Reimbursement Fund	\$ 2,256,030.00	\$ 2,256,030.00
▪ Grant Fund	\$ 4,568,009.12	\$ 4,568,009.12
▪ Donations	\$ 629,411.99	\$ 629,411.99

This is a worksession only and no action by Council is required.

FUTURE AGENDA ITEMS - Listing of items to be placed on a future council agenda.

- Home Rule – short report if data available to inform public on communities who have rejected home rule and what the consequences were
- Permanent Base Adjustment discussion

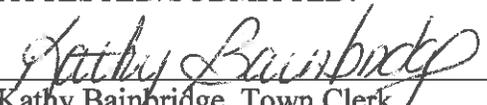
ADJOURNMENT - without objection, Mayor Von Gausig adjourned the meeting at 5:03 P.M.

APPROVED:



Doug Von Gausig, Mayor

ATTESTED/SUBMITTED:



Kathy Bainbridge, Town Clerk

CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the regular meeting of the Town Council of the Town of Clarkdale, Arizona held on the 22nd day of April, 2014. I further certify that meeting was duly called and held and that a quorum was present.

Dated this 14 day of May, 2014.

SEAL



Kathy Bainbridge, Town Clerk