

**TOWN OF KEARNY  
TOWN COUNCIL WORK SESSION MINUTES**

**WORK SESSION OF THE TOWN COUNCIL OF THE TOWN OF KEARNY, ARIZONA, AT  
THE KEARNY TOWN HALL LOCATED AT 912-C TILBURY DRIVE ON MONDAY,  
FEBRUARY 19, 2018, AT 1:00 P.M.**

**COUNCILMEMBERS PRESENT**

Mayor	Debra Sommers
Vice Mayor	Dan Radcliffe
Councilmember	Rose Bradford
Councilmember	Nancy Hinojos
Councilmember	Samantha Misita

**TOWN STAFF PRESENT**

Town Manager	Anna Flores
Town Clerk	Cathy Woolery
Public Works Director	Ramon Camacho

**VISITORS PRESENT**

Pat Walker – Pat Walker Consulting LLC

**BUDGET DISCUSSION**

Pat Walker presented a budget and strategic financial plan workshop for the Town of Kearny. She highlighted FY17 accomplishments of the town and explained the strategic plan is long term to sustain the Town's financial health. She also discussed the Alternative Expenditure Limitation – Home Rule option and the option of the Permanent Base Adjustment. Pat explained that using the contingency is a reserve and using the fund balance is the Town's savings account. The General Fund for FY1617 did not use the contingency so have bit more in FY1718 to use. Contingency for FY1718 is \$222,897. If the Town does not spend the contingency then there is more one-time money to carryforward. The Utility fund cap fee decision helped the Utility fund to be able to fund a lot more projects. As far as revenues the local sales tax is proposed for FY1718 at \$546,823. This has slowly increased from the past years. Franchise taxes have also steadily increased so when they have a rate increase then gross sales increases and the franchise fees are based on gross sales. State shared revenues are based on population so may not necessarily get more in Kearny due to the formula. Auto Lieu tax has increased due to vehicle registrations being up. State sales tax also has increased. State shared income tax is going up. Interfund transfers to the General fund to support services has been done but not for ambulance in FY1617. In FY1718 the transfer for ambulance is being done so they are paying their fair share. The overview of the General Fund is in FY17 the actual audited revenues exceeded actual expenditures by \$171K, so that was added to the fund balance. FY1718 July through January to date all revenues and expenditures should be 59% of budget ideally, but revenues usually come in at different times of the year. This creates fluctuations so you do have to look at trends. The General fund revenues are only at 47% but property taxes for the second half will not be in until May 2018. Sales tax is trending at 68%. General fund expenses are at 48.5%. At this point the trend looks okay, and she is watching it. The transportation sales tax is expected to receive \$300K RTA money but will not see that for another year or so. The sanitation fund looks good. The ambulance fund is overbudget, and she will continue to monitor this.

## Work Session

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FY1819 budget issues and requests include pay increase of \$1.50/hour which would be from 4% to 15% depending on current hourly rate. This would result in \$25K to \$50K cost. Also, adding two more holidays were requested. Cost for that is \$10K to \$15K. Employee benefits were discussed and the option of the employee taking on part of the cost of the insurance.

The Senior Van services budget cost is approximately \$8,500 per year with four trips per every other month. The cost is approximately \$6500 which may be cut down to \$3200 with contributing fees from the seniors. This year the general fund is covering the van services with the seniors paying a fee since January 2018. Various options for funding discussed were the reduction of transfer station costs, the Kearny seniors paying fees directly, Gila Pinal Senior Council possible assistance, Hayden seniors contributing as a partner, other community organizations also using the van, and outside transport options. If the grant for the senior van is not awarded to Town of Kearny then these options need to be researched. The van will most likely have another five years of life based on the annual mileage and after it is rebuilt. The rebuild quote was provided by Get Some Motorsports. Concerns were also expressed regarding the age of the van and the long trips.

Additional requests for the budget include the police SUV/pickup for \$45- \$50K which a grant submittal will be completed for and a CAD system purchase of \$150 - \$180K which is a dispatch console equipment. This could be beneficial for a regional purpose. The current system is fairly obsolete. Revenue for dispatching for Hayden is \$22K per year and \$8K for San Manuel; however, we have not yet started dispatch for San Manuel. They will also be reaching out to Pinal County. The CAD system purchase will be researched further. PSPRS employer contribution amount was discussed due to the increase of employer portion from 74.14% to 109%. There was discussion expressed that there have been tons of group meetings and committees to figure out how to fix it, towns filing bankruptcy, towns and cities just not hiring officers, small communities not having the money, and taking on liability of the hired police officers. This is a large amount of money from the General fund that has to be budgeted and other departments in the General fund may have reduced budget. This is a big problem and may have to think about raising taxes to keep up with it.

Public Works requests include adding three employees. The Council expressed the desire to get someone that is trained on the wastewater treatment plant and to have that backup person. Outsourcing the system was also discussed and the logistics involved. The transition would not be smooth but needs to be considered with getting someone with experience. The four certifications needed are wastewater, water treatment, water distribution, and collections. Water rate increases were discussed in order to cover the costs of the department such as equipment and staffing needs. Also, it was discussed that each department in the General fund may need to be evaluated due to having to fund departmental needs, having the resources for each of those departments, and providing necessary services for the public. If it is water and sewer related then you can usually meet those needs by raising the rates. A rate study would be done to determine the rates the Town will charge. USDA sometimes pays for a rate study. This could be at least a six-month process. There was agreement to get the rate study completed in a timely manner to evaluate raising rates. Another option is a financial plan for water and sewer at a lower cost, approximately \$35K, and this would be a good option for the Town. The third option is lowering the minimum usage which is basically getting a rate structure study, but that would still need to be justified by a rate study as some people would possibly have a fee increase. This will be confirmed by Tom Belshe if this technically may not be a fee increase. Also, the Town may want to reach out to Arizona Water to get information and numbers for outsourcing. The water meter replacements will be a part of the USDA grant which will result in more accurate

readings and should result in an increase in water revenues. The other budget requests for the public works is a portable pump \$25K, cement repair for the auger wall, and two trucks at approximately \$7K from Pinal County. There will be a possible cost to the Town to clean the sewer system in order to be evaluated for repairs that are covered by the current CDBG grant the Town received.

Other requests for ambulance is a heart monitor for \$50K which can either be paid in total outright or by payments. The library is requesting an AC unit for \$8K for the library activity center and is currently doing a fundraiser. Also, the library activity center would like outside cameras for security for prevention of vandalism.

The transfer station costs will also be decreased to \$3,750 per year. Concern was also expressed regarding the sludge removal from the wastewater treatment plant and hauling it out. The bagging system is extremely intensive with cost of bags at \$3/each, polymer, labor, trucking, and landfill fees. The cost of the landfill fees only for the sludge is \$7,200 per year. This is also a permitted process. Options included asking RAD for providing this removal service or getting an updated sludge removal long-term system which would possibly pay for itself in five years. The existing system is 18 years old. A new system would eliminate the labor and also the potential for injuries.

Pat also discussed revenue options for the Town. If the maximum levy was decided on for the primary property tax then it would add approximately \$66K to the budget. The other option is to increase sales tax by 1% then that would result in approximately \$170K increase in revenues. Also, the Home Rule is coming up this year for re-election or the Town can do a permanent base adjustment. The difference between the two is Home Rule goes to voters every four years and Permanent Base goes to voters initially only. The state does not dictate what the Town sets their Permanent Base estimate at. Public hearings are scheduled for April 10 and April 16, 2018 for the Home Rule if that is the decision. The voters will need to be informed of the facts by the Town with the publicity pamphlet, a letter or article from the Mayor, or a fact sheet. Pat will provide a Permanent Base Adjustment calendar if Council wants to go with that option. Publicity pamphlet will also have to be outsourced to a vendor.

All information, requests, and changes need to be to Pat by March for the budget process.

Meeting was adjourned by Mayor Sommers at 3:25 p.m.

  
Debra Sommers, Mayor

  
Anna Flores, Town Manager

ATTEST:

  
Cathy Woolery, Town Clerk