

**MINUTES OF THE REGULAR MEETING
OF THE HONORABLE TOWN COUNCIL
OF THE TOWN OF PINETOP-LAKESIDE, ARIZONA,
HELD ON THURSDAY, MARCH 19, 2020
IN THE TOWN COUNCIL CHAMBERS LOCATED AT
325 W. WHITE MOUNTAIN BOULEVARD, LAKESIDE, AZ 85929**

A. Call to Order

Mayor Irwin called the meeting to order at 6:00 p.m.

➤ **Roll Call**

The following Council Members were present:

Stephanie Irwin	Mayor
Jerry Smith	Vice Mayor <i>participated telephonically</i>
Kathy Dahnk	Council Member <i>participated telephonically</i>
Carla Bowen	Council Member <i>participated telephonically</i>
Jim Snitzer	Council Member <i>participated telephonically</i>
Mazie Hastings	Council Member <i>participated telephonically</i>
Lynn Krigbaum	Council Member <i>participated telephonically</i>

Also, Present:

Keith Johnson	Town Manager
Kevin Rodolph	Finance Director
Jill Akins	Town Clerk
Dan Barnes	Chief of Police
Tony Alba	Community Services Manager
Annie DeRosier	Visitor Information Specialist

➤ **Pledge of Allegiance and Invocation**

Mayor Irwin led the Pledge of Allegiance to the Flag.

Town Manager Keith Johnson delivered the Invocation.

B. Call to the Public

Mayor Irwin called for public comments. No comments were offered.

C. Consent Agenda

Mayor Irwin announced consideration of the Consent Agenda and explained that all items listed would be acted upon by a single vote of the Council, unless a member of the Council asked that specific items be removed from the Consent Agenda, discussed and voted upon separately.

Vice Mayor Smith moved for passage of the Consent Agenda as presented. Councilmember Snitzer seconded the motion and by verbal roll call the following vote was recorded:

<u>AYES</u>	<u>ABSTAIN</u>	<u>NAYS</u>
Mayor Irwin		
Vice Mayor Smith		
Council Member Dahnk		
Council Member Bowen		
Council Member Snitzer		
Council Member Hastings		
Council Member Krigbaum		

Mayor Irwin then declared that all consent agenda items in these minutes were approved, passed and adopted with a 7-0 vote.

**C.1 Approval of the Minutes of the Town Council
Regular Meeting held on March 5, 2020 and the Town Council Work
Session held on March 5, 2020.**

By a unanimous vote under the Consent Agenda, Town Council approved the minutes of the Town Council Regular meeting held on March 5, 2020 and the Town Council Work Session held on March 5, 2020.

D. Business Before the Council

Mayor Irwin announced that Public Comment will be taken at the beginning of each agenda item, after the subject has been announced by the Mayor and explained by Staff. Any citizen, who wishes, may speak one time for five minutes on each agenda item before or after Council discussion. Questions from Council Members, however, may be directed to staff or a member of the public through the Mayor at any time.

D.1 Presentation, Discussion and Consider Accepting the Town's Comprehensive Annual Financial Report (CAFR) as well as the Annual Expenditure and Limitation Report (AELR) for the Year Ended June 30, 2019 Prepared by Hinton Burdick CPA's and Advisors.

Finance Director Kevin Rodolph said that this is a presentation of our annual audit report in the form of a CAFR- Comprehensive Annual Financial Report and Annual Expenditure and Limitation Report (AELR) for the year ended June 30, 2019. He said that staff recommends that the Town Council accept the Town's Comprehensive Annual Financial Report (CAFR) and the Annual Expenditure and Limitation Report (AELR) for the year ended June 30, 2019. Arizona Revised Statute, Title 9, Chapter 4, Article 9-481 requires each incorporated city or town to engage a certified public accountant to perform a financial statement audit. The audits must be made in accordance with generally accepted auditing standards, and the audit report must be issued in conformity with generally accepted accounting principles. Hinton Burdick CPAs and Advisors conducted our fieldwork last October and finished in December. Town staff along with Auditor, Crimson Singleton will present the CAFR and AELR reports for the year ended June 30, 2019 for Council consideration.

Crimson Singleton, Hinton Burdick CPAs & Advisors, presented the following power point:

Audit Reports:

- Independent Auditors Report - Unmodified or "clean opinion".
- Report on Compliance and on Internal Control over Financial Reporting - No material weaknesses noted, one significant deficiency noted.

- o State Compliance Report - Unmodified or “clean opinion, but did have two state compliance findings.

Findings & Recommendations:

- One significant deficiency noted for fiscal year 2019. Reissued from prior years. Finding 2016-001: Year-end Accounting
- Two compliance findings:
 - Finding 2019-001: Annual Expenditure Limitation
 - Finding 2018-001: Annual Report on Development Fee Assessment

Government Wide Financial Highlights:

- Total net position (equity) was \$1,351,224 at June 30, 2019.
- Over time, increases or decreases in net position are an indicator of whether the financial health of the Town is improving or deteriorating.
- Total net position decreased by \$119,007 during fiscal year 2019 and increased by \$947,517 during fiscal year 2018.

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Total Governmental Activities	Total Business-type Activities	Total
Governmental activities:							
General government	\$ 1,425,548	\$ 158,371	\$ -	\$ 10,500	\$ (1,246,677)	\$ -	\$ (1,246,677)
Public safety	1,892,140	181,960	90,284	4,822	(2,613,554)	-	(2,613,554)
Public works/Sewer	1,258,835	-	654,359	19,756	(1,582,718)	-	(1,582,718)
Culture and recreation	1,057,555	50,455	16,821	30,615	(967,431)	-	(967,431)
Economic development	101,952	-	55,129	-	(5,842)	-	(5,842)
Interest on long-term debt	100,150	-	-	-	(100,160)	-	(100,160)
Total governmental activities	7,846,200	400,215	801,794	65,805	(6,517,382)	-	(6,517,382)
Business-type activities:							
Solid waste	17,438	464	-	-	-	(16,974)	(16,974)
Total business-type activities	17,438	464	-	-	-	(16,974)	(16,974)
Total primary government	\$ 7,863,638	\$ 400,681	\$ 801,794	\$ 65,805	(6,517,382)	(16,974)	(6,534,356)
General Revenues							
Taxes:							
City sales tax					4,819,156		4,819,156
Franchise tax					231,457		231,457
State sales tax (unrestricted)					439,263		439,263
Auto licen tax (unrestricted)					265,007		265,007
State revenue sharing (unrestricted)					527,911		527,911
Unrestricted investment earnings					2,159	206	2,395
Transfers					(4,158)	4,138	-
Total general revenues & transfers					6,411,095	4,344	6,415,449
Change in net position					(106,377)	(12,630)	(119,007)
Net position - beginning					1,470,231	-	1,470,231
Net position (deficit) - ending					\$ 1,363,854	\$ (12,630)	\$ 1,351,224

Government Wide Financial Highlights – Capital Assets:

- Governmental capital assets increased by \$845,591. Additions were \$1,470,088, retirements were \$903 and depreciation was \$623,594.00
- Significant capital asset additions for the year:
 - Town Hall completed - \$1,793,517 total, \$574,289 in FY19
 - Court building completed - \$165,119 total, \$104,448 in FY19
 - Solid waste collection center - land, improvements, and equipment - \$211,571.
 - Several vehicles and equipment - \$393,898

Government Wide Financial Highlights – Long-Term Debt:

- Total Governmental long-term debt (excluding accrued compensation and the NPL) was \$2,786,984 at June 30, 2019.
- Governmental long-term debt increased by a net of \$346,081.
- New capital lease issued for \$210,000 for solid waste land, improvements, equipment, and new capital leases of \$366,031 for other vehicles and equipment.
- Regularly scheduled debt service payments totaled \$227,141.

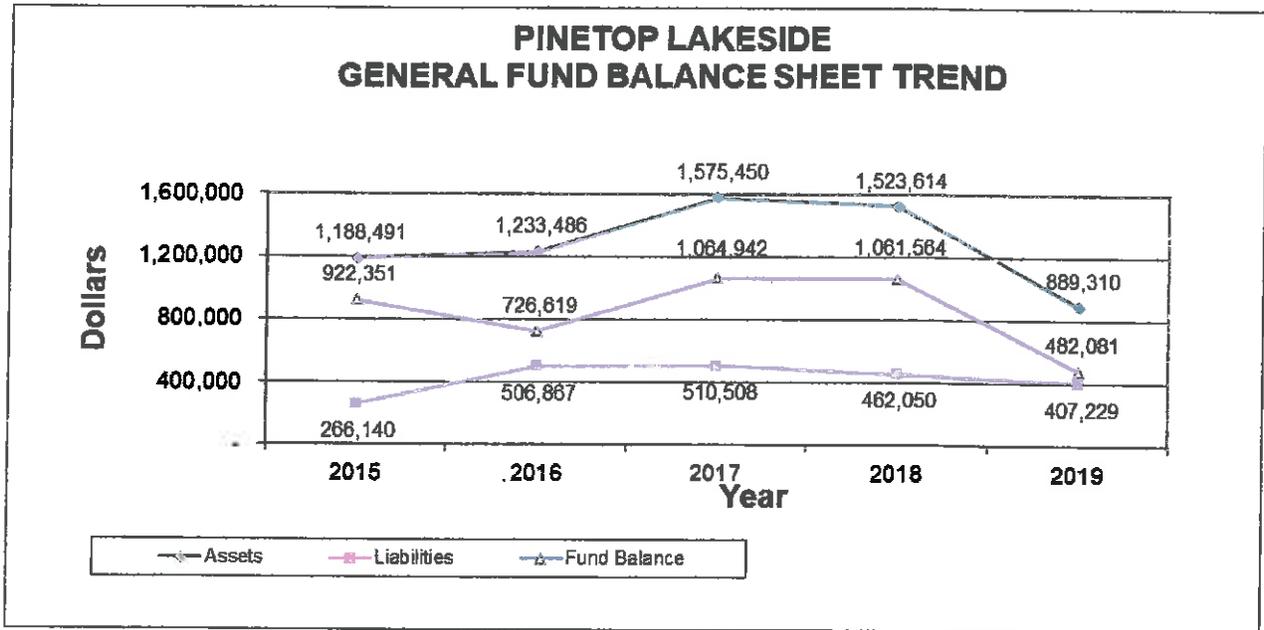
Fund Financial Highlights:

- The total fund balance for the General Fund decreased from \$1,061,564 to \$482,081.
- None of the fund balance had restrictions at year end.
- The General Fund reported revenues in excess of expenditures of \$243,107 before net transfers out of \$822,590.
- Actual revenues received in the General Fund were more than the final budget by \$321,138, mainly due to taxes.
- Actual expenditures in the General Fund were \$146,631 less than the final budget.

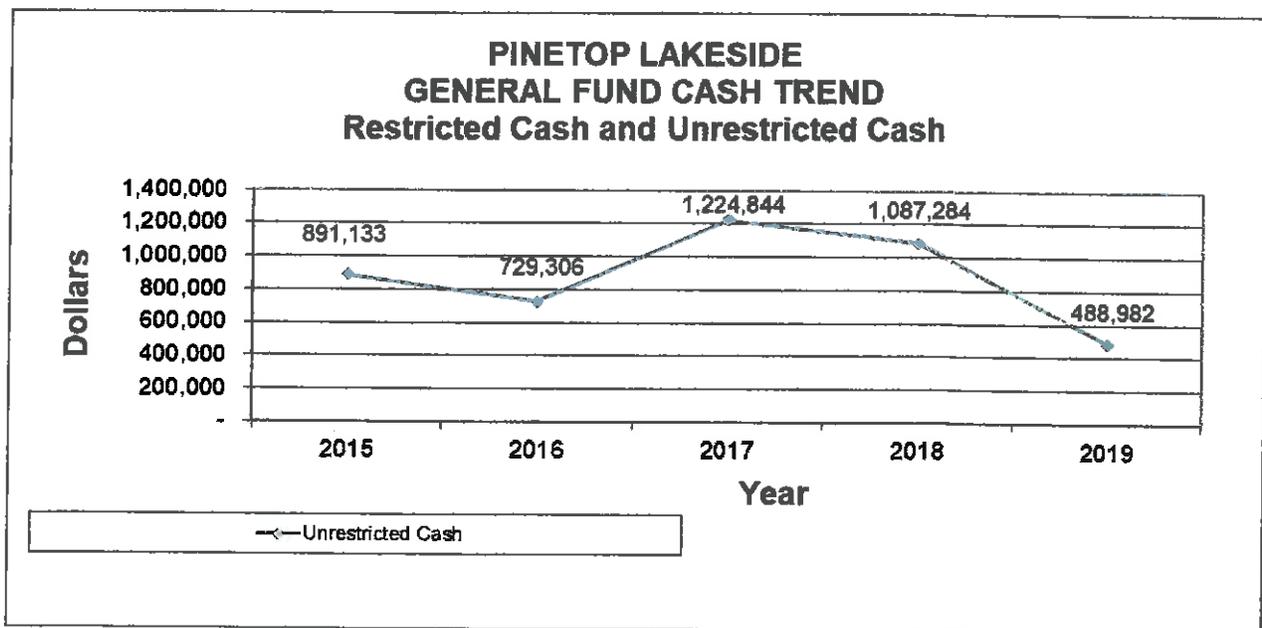
Fund Financial Highlights:

- The total fund balance in the Capital Projects Fund increased from \$81,336 to \$92,473.
- Revenue sources are lease proceeds of \$366,031 and transfers in of \$845,918.
- Capital outlay totaled \$1,035,610 for town hall, court, and equipment purchases.
- Debt service totaled \$165,774.

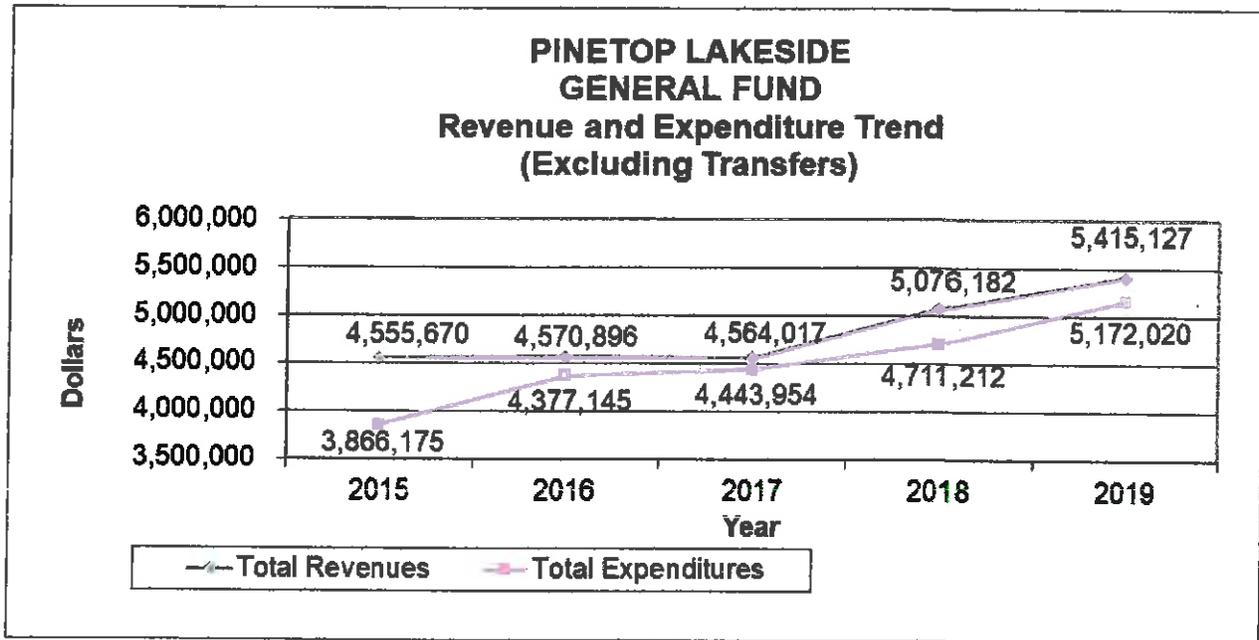
- The total fund balance in the HURF Fund increased from \$330,956 to \$602,205.
- All of the HURF fund balance at June 30, 2019 is restricted fund balance consisting of unexpended HURF funds.



The General Fund balance sheet is reported on the modified accrual basis which does not reflect long-term debt or capital assets.



The General Fund cash is trending down over the last couple of years. The General Fund does not report any restricted cash.



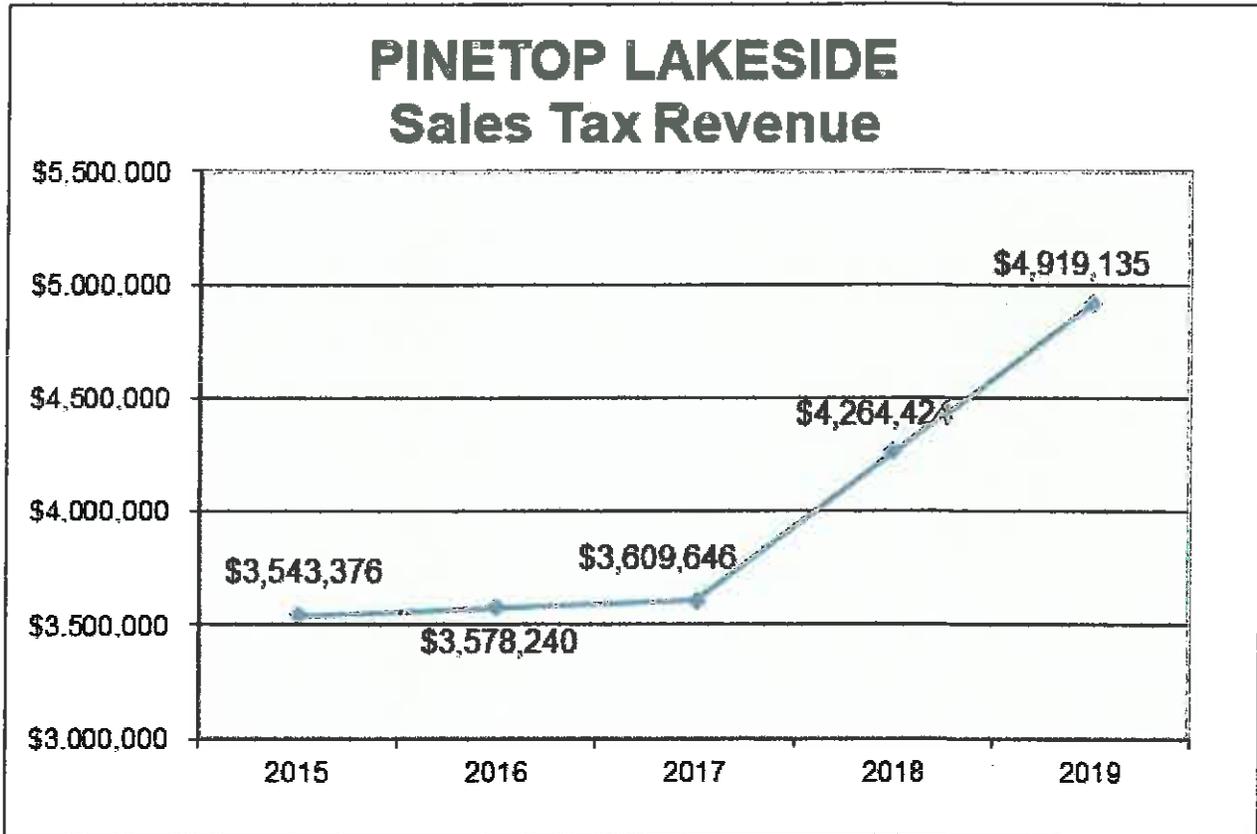
The General fund is normally expected to break even over time. The Town’s General fund has reported excess revenues over expenditures before transfers out for fiscal years 2015-2019. Transfers out (\$822,590 in FY19), mainly to the Capital Project fund, utilize this excess. (see cash trend) Revenues have increased by 18.87% over the last five years.

General Fund

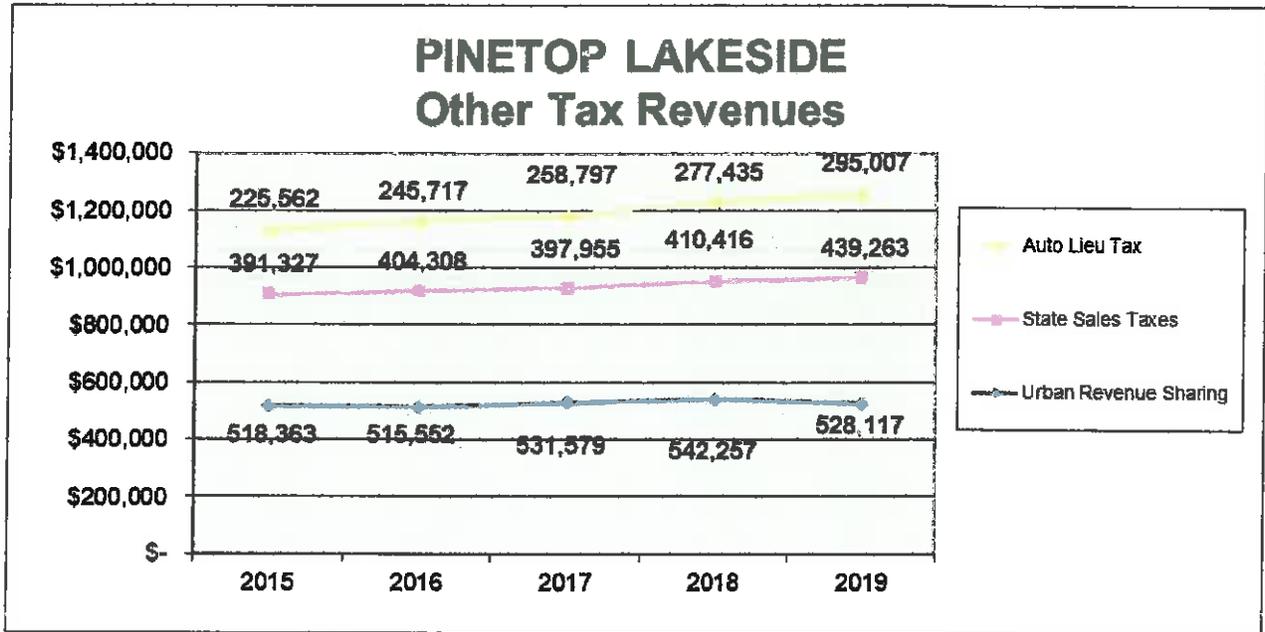
Expenditures for the year ended:

Program/function	6/30/2019	6/30/2018	Incr/(decr)
General government	\$ 1,365,667	\$ 1,199,884	\$ 165,783
Public safety	2,256,106	2,149,900	106,206
Public works/streets	1,084,516	843,066	241,450
Tourism and recreation	354,341	409,049	(54,708)
Community & economic dev	111,390	109,312	2,078
	\$ 5,172,020	\$ 4,711,211	\$ 458,731

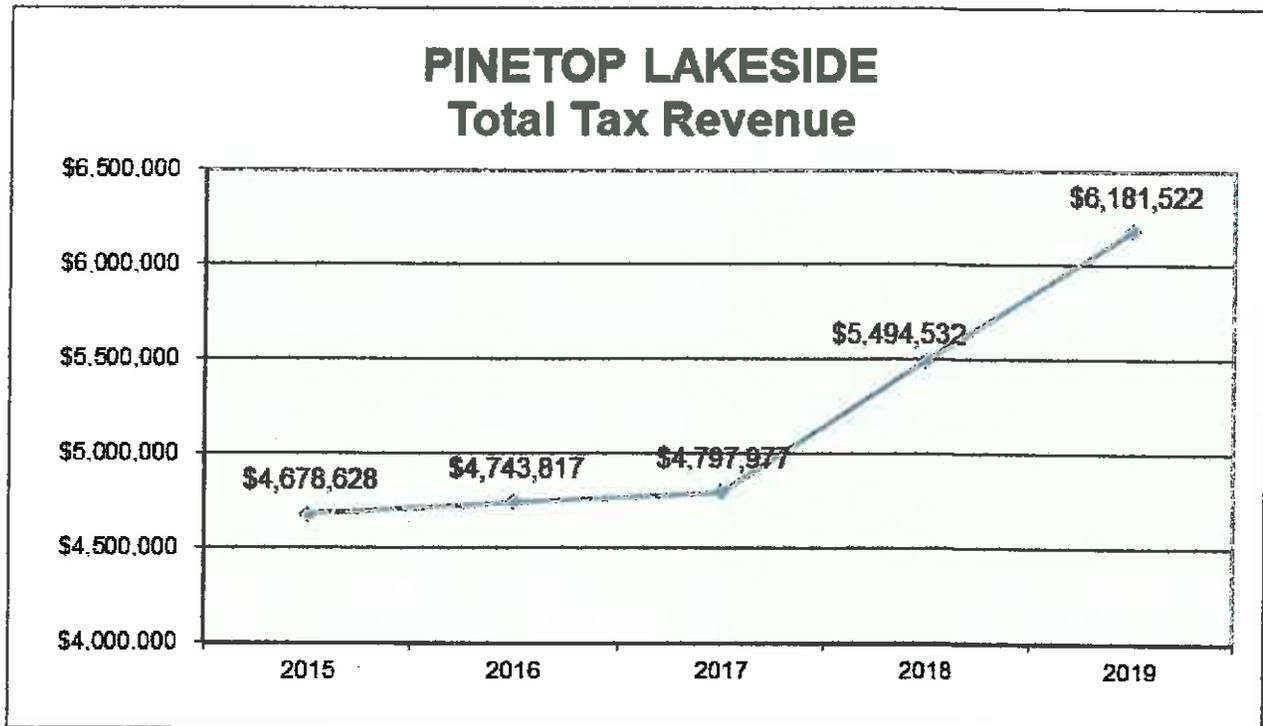
The General Fund reported an overall increase in expenditures. General Government increased due to increased wages and professional services. Public Works increased due to increase in professional services, repairs/maintenance, and utilities. In addition, some special events previously recorded in tourism and recreation were recorded in Public Works.



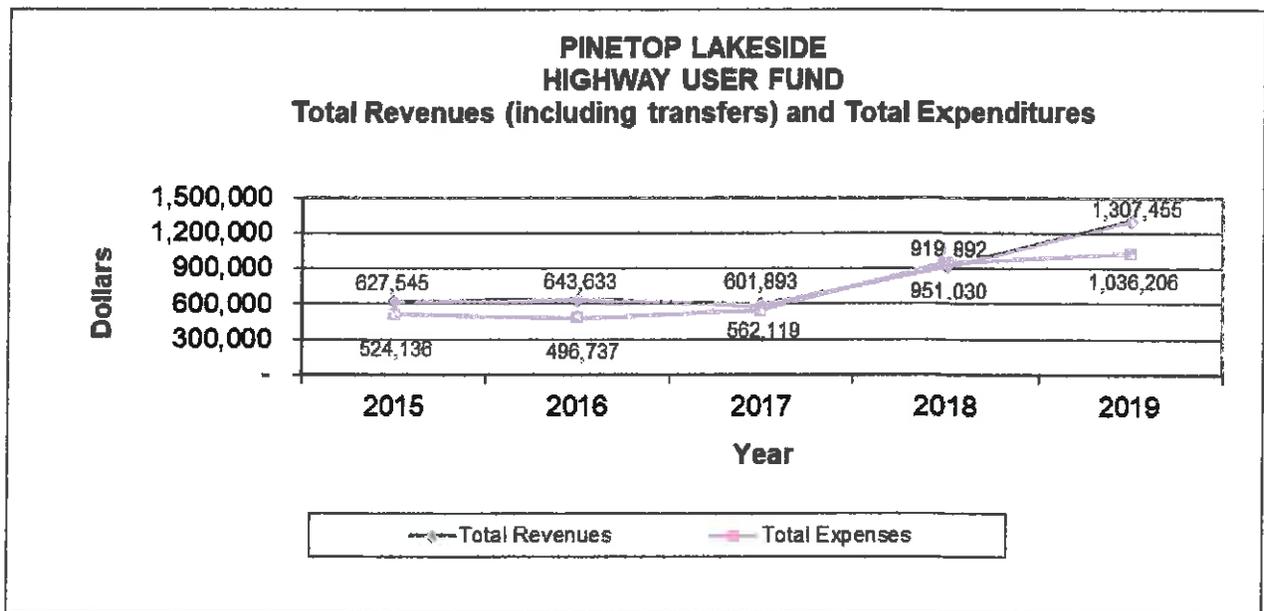
Sales tax revenues have increased each of the last five fiscal years. Effective December 1, 2017, the sales tax rates increased from 2.5% to 3.0%, which results in a 18.14% increase over FY17 and 15.35% increase over FY18.



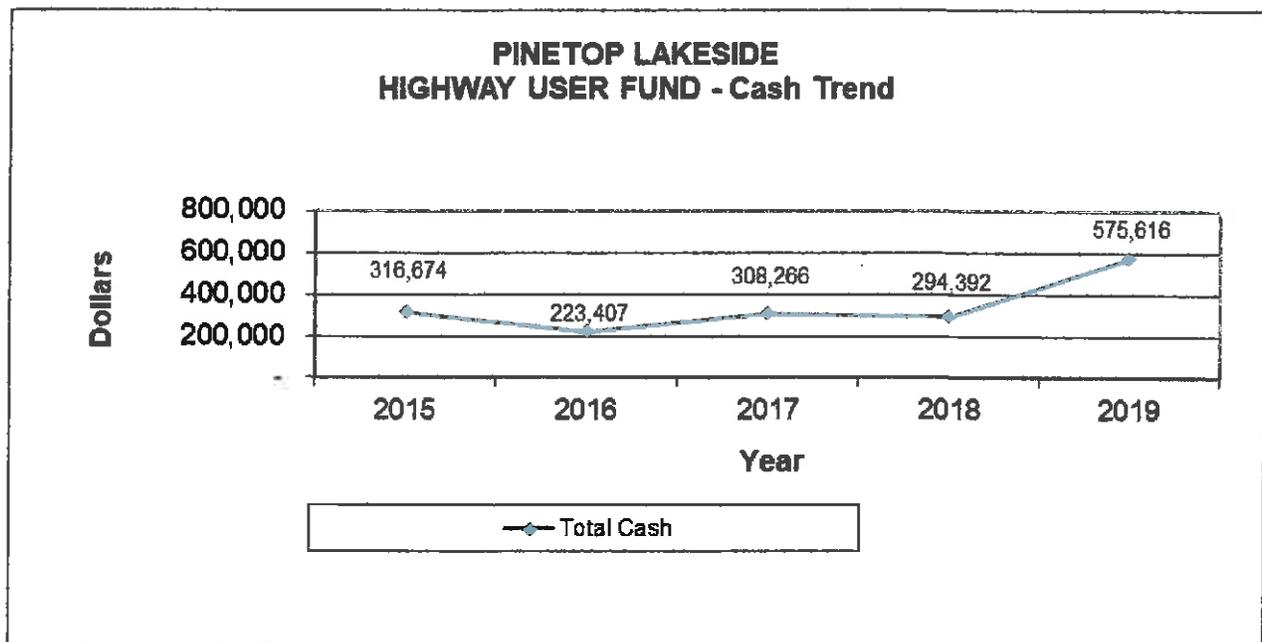
Other tax revenues experienced increases over the last five fiscal years, with Urban Revenue Sharing experiencing a slight decrease in FY20.



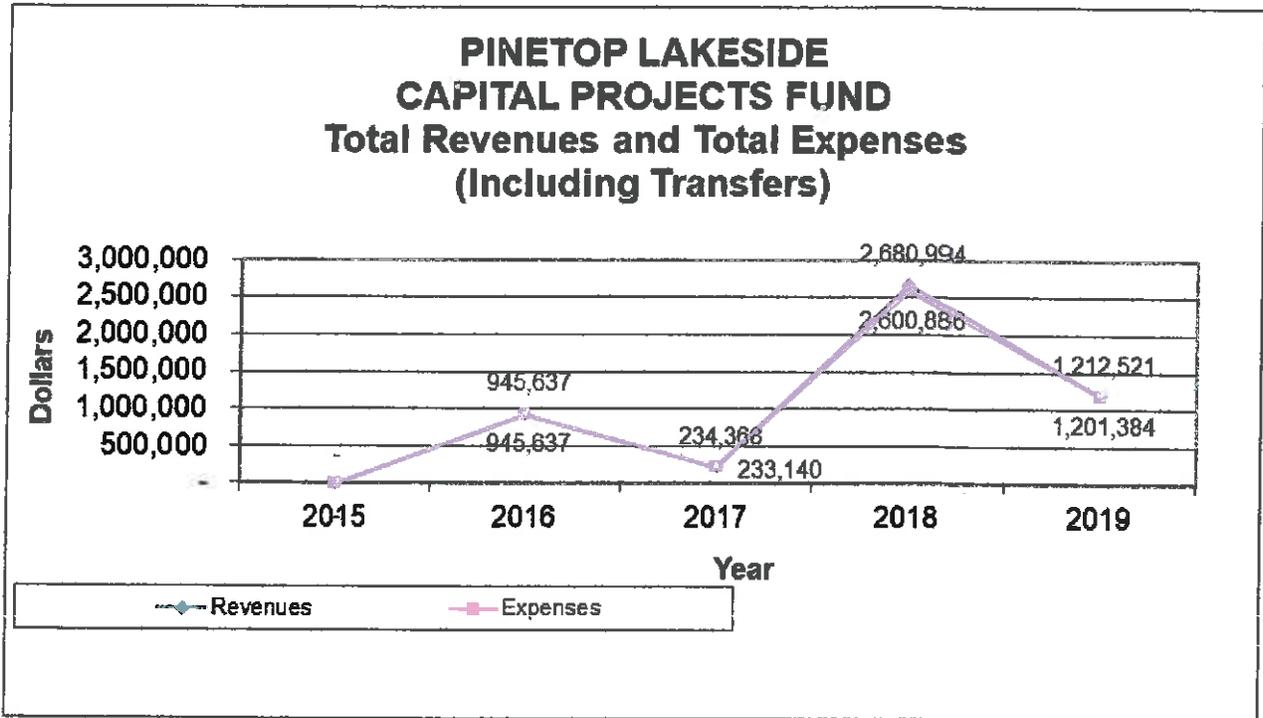
Total combined tax revenues for FY19 increased by 12.5% over FY18 and by 32.12% over the last five fiscal years.



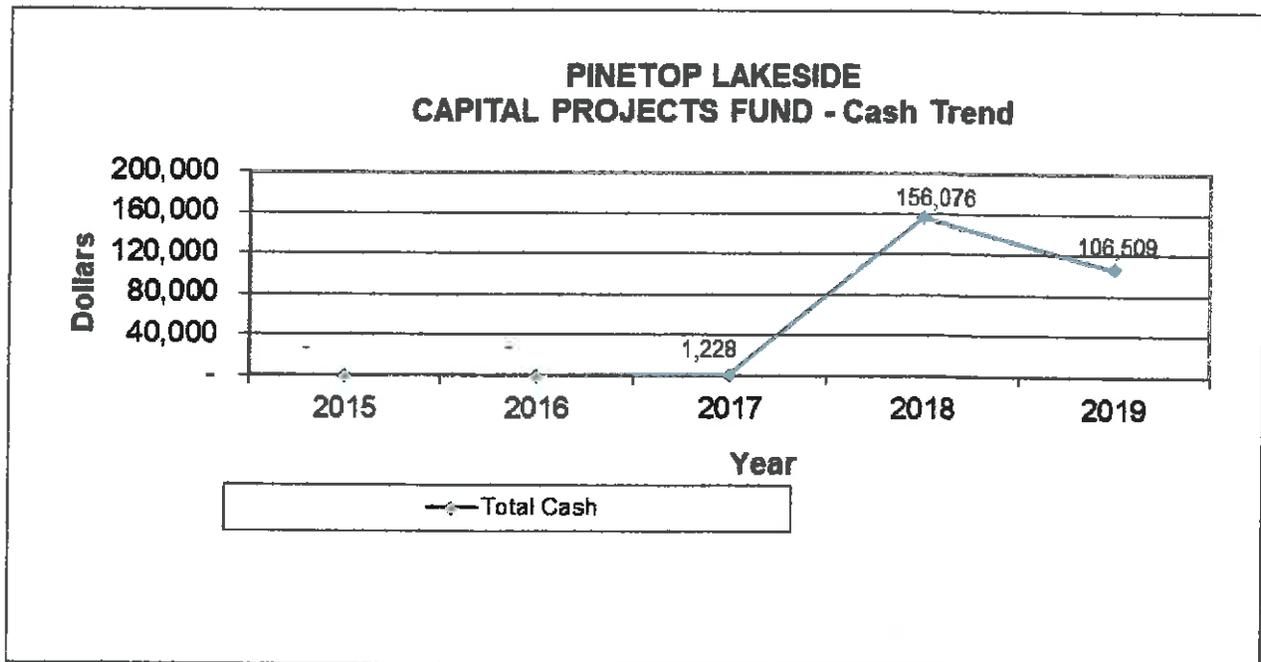
The HURF fund is expected to break even over time as resources are accumulated and expended on road projects. Increase in FY18 and FY19 revenues is from new sales taxes allocated to street projects.



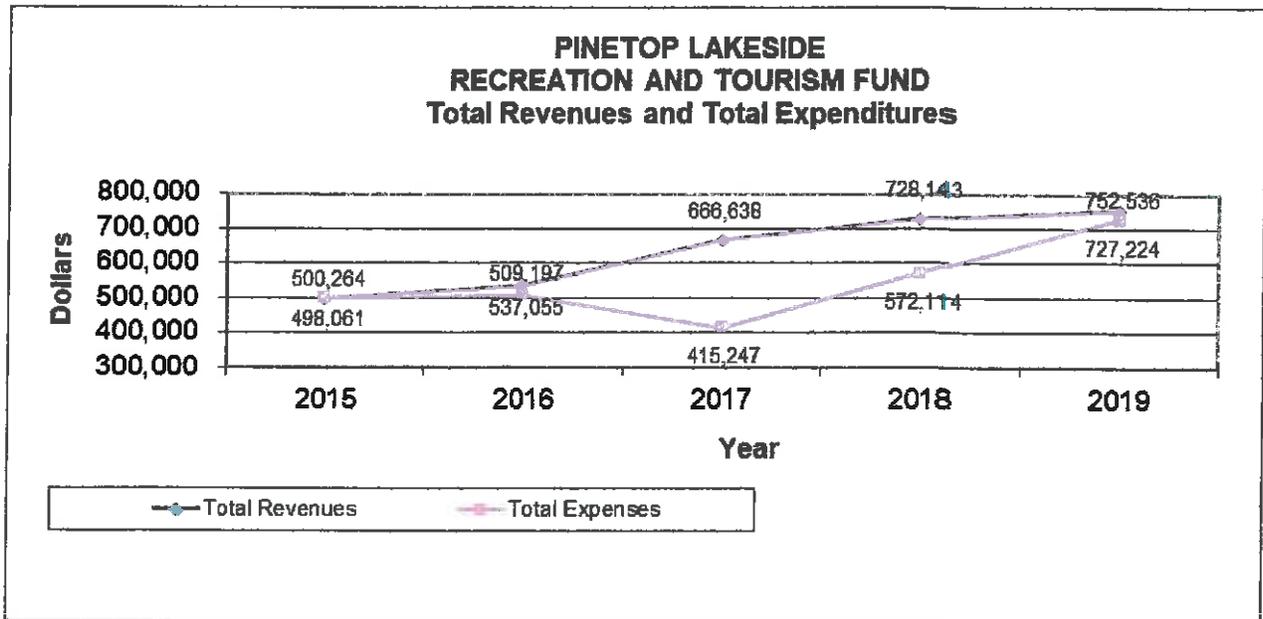
As expected, HURF fund cash fluctuates up and down as projects are funded and expended over time. In FY19, cash balances increased due to increased sales tax revenue.



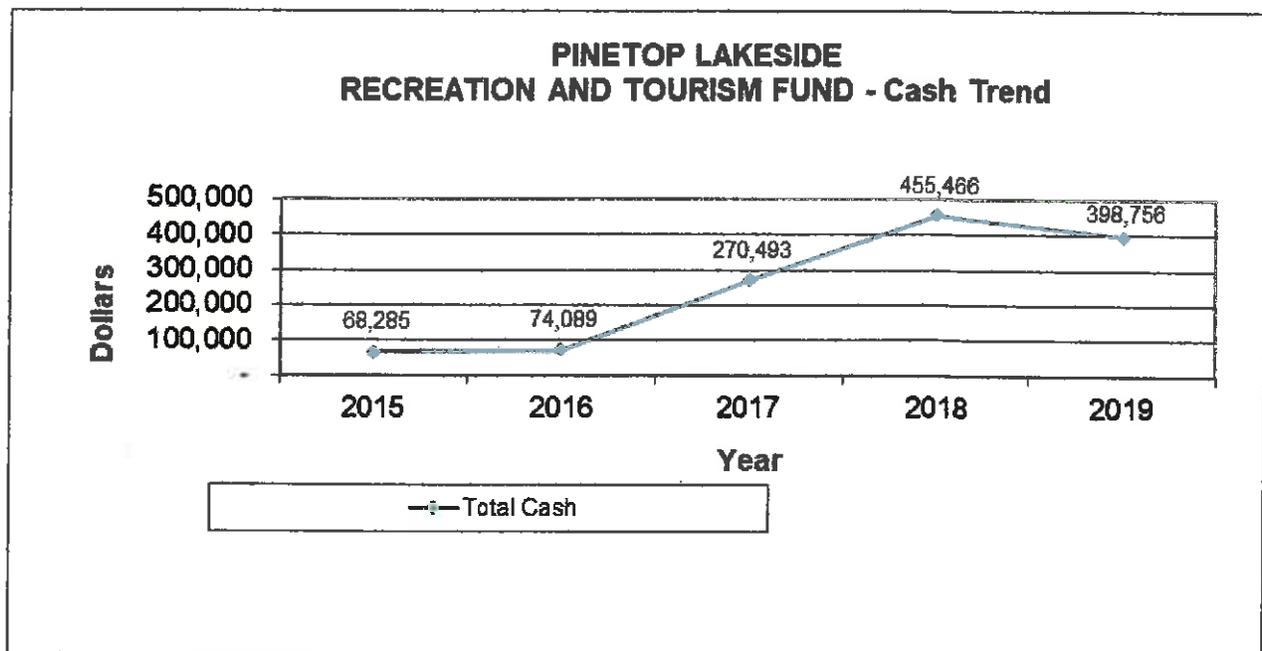
The Capital Projects fund was a new fund for fiscal year 2016. Revenues for 2019 consisted of transfers in and debt proceeds. Significant expenditures were for the new town hall, court building improvements, equipment, and debt payments.



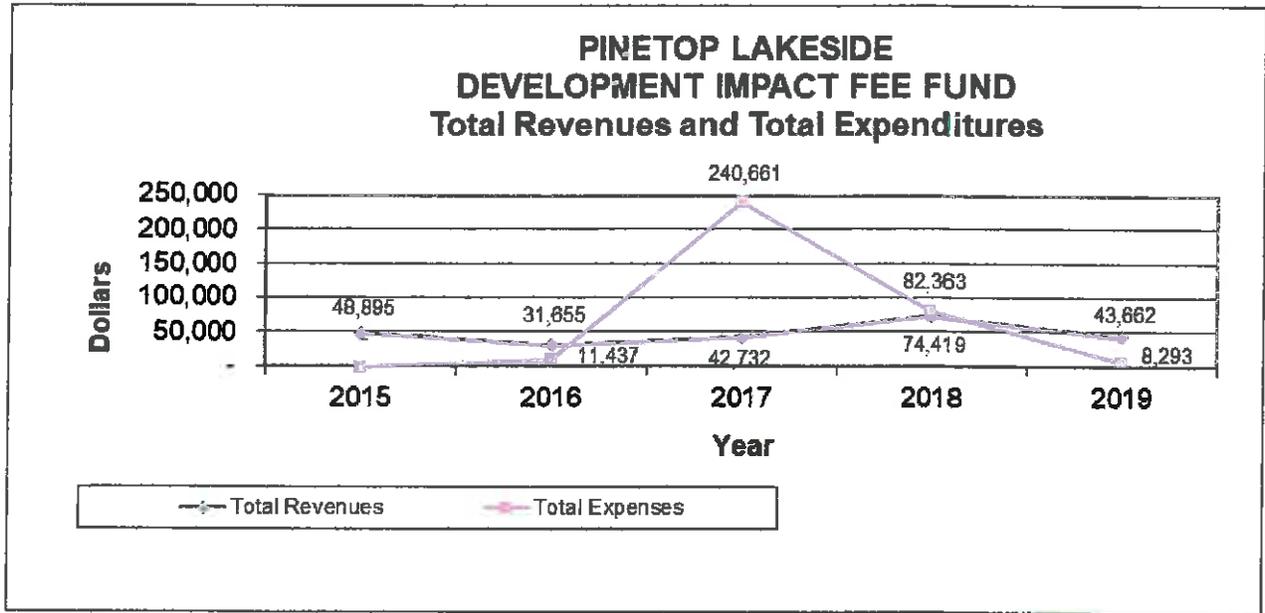
The Capital Projects fund cash has been minimal as cash flow needs have been met on an as needed basis through transfers in and debt proceeds.



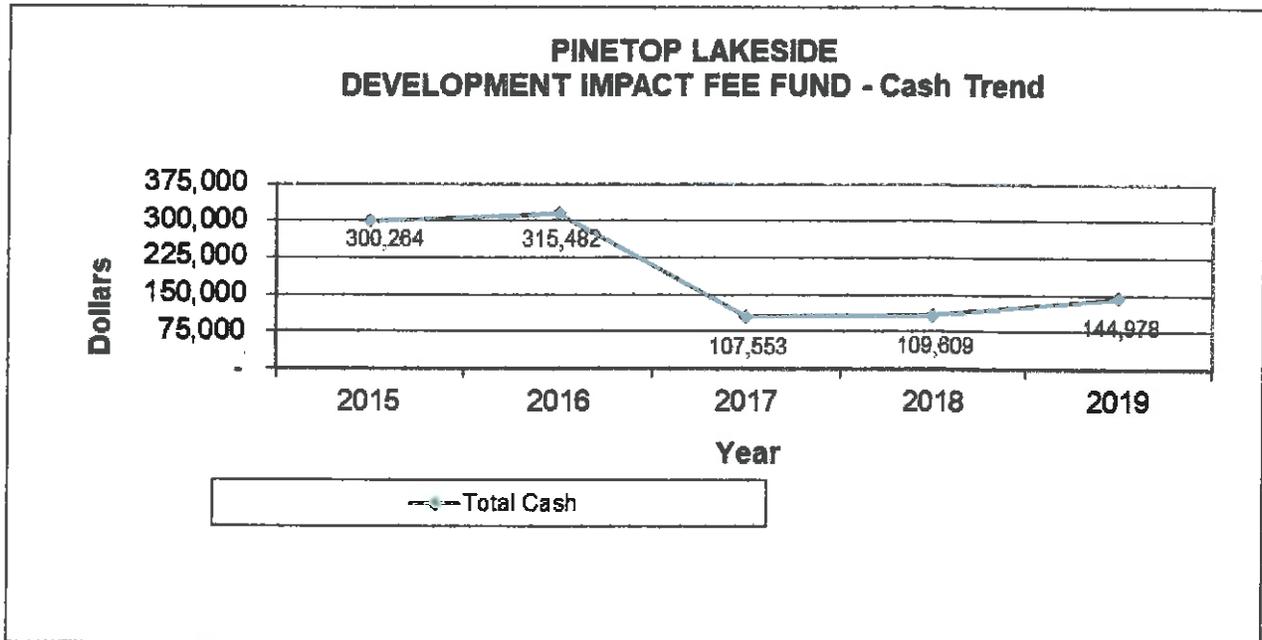
The Recreation & Tourism Fund reports net revenues of \$25,312 for fiscal year 2019. Shortfalls have typically been subsidized by transfers from the General Fund. However, improved tax revenues have been able to support the fund activity the last few years.



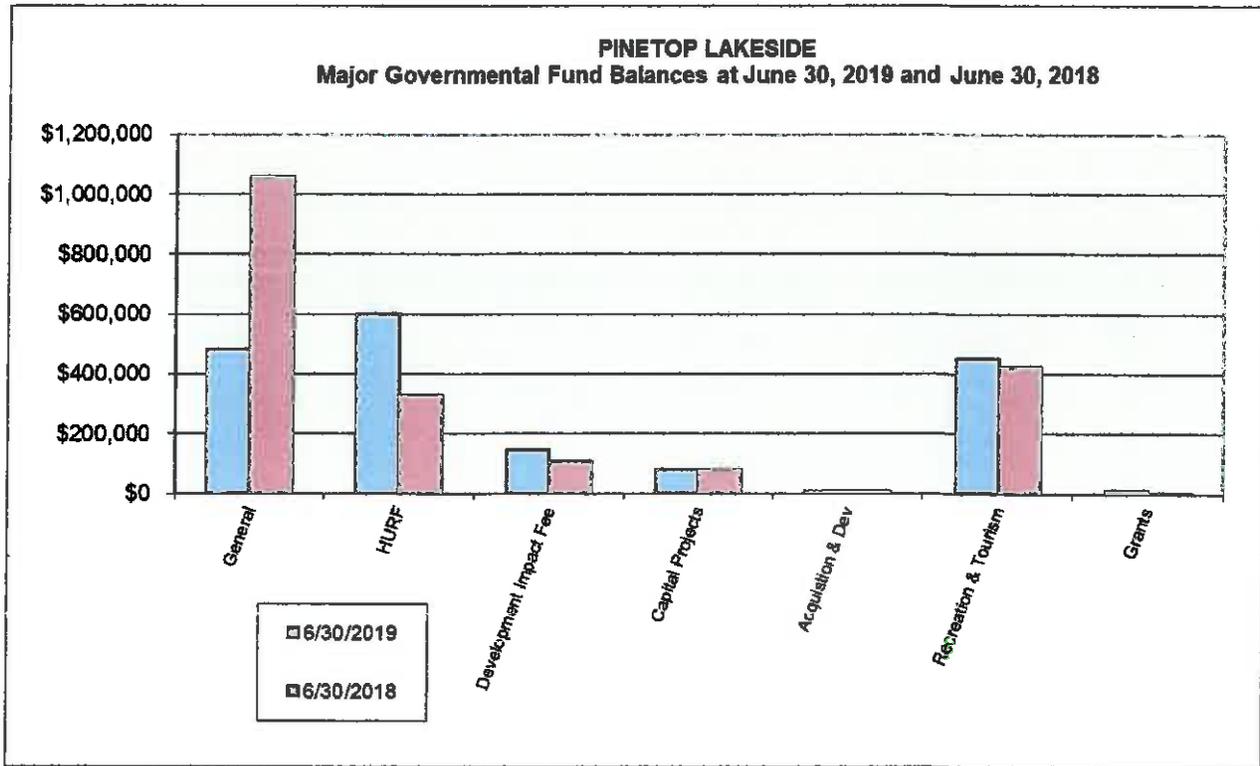
Historically, the Recreation & Tourism Fund cash balances have been minimal and fairly consistent as the General Fund transfers offset expenditures. In FY17, FY18, & FY19 a large increase in tax revenues caused an increase in cash.



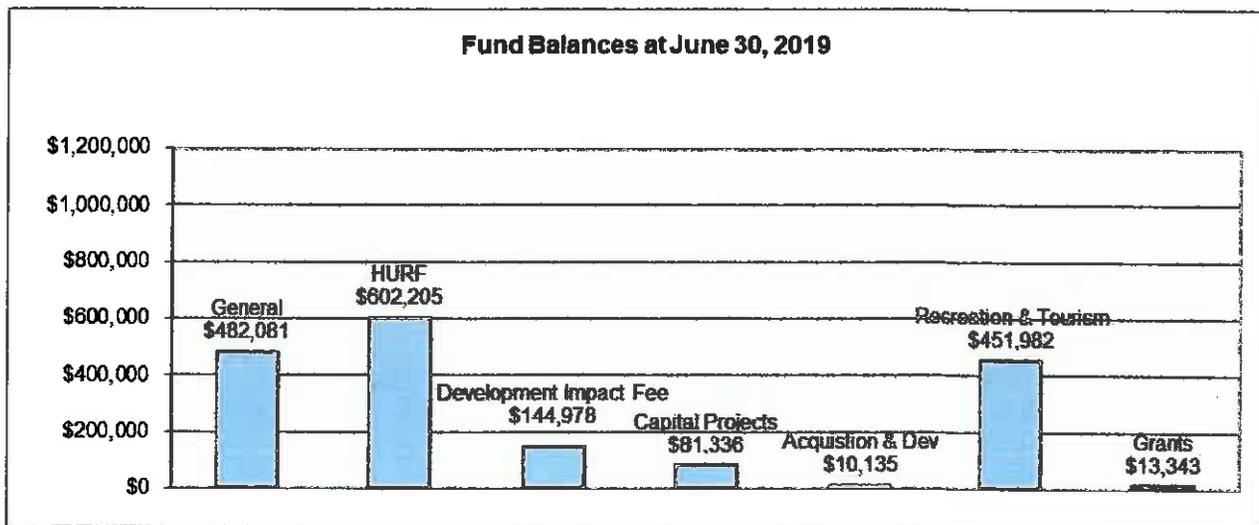
The Development Impact Fee fund activity can vary based on projects in the fund. Large increase in expense in 2017 is due to capital outlay for the Multi-use court. FY18 expenditures were mainly for the ADOT streets project. Minimal expenses in FY19.

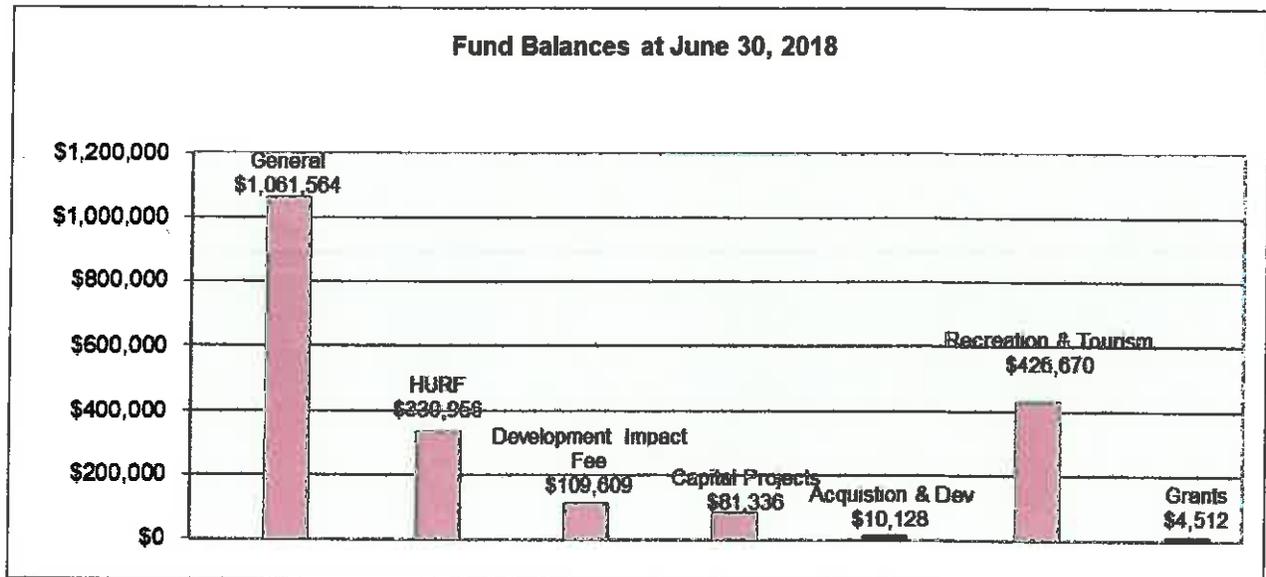


The Development Impact Fee fund reports a stable cash balance in FY19.



Fiscal year 2019 reports significant decreases in the general fund fund balance. GFOA recommends a minimum of two months' worth of operating expenses in unassigned fund balance. The town has approximately 1.1 months in unassigned fund balance at June 30, 2019. Increases in the HURF fund is mainly due to the increased tax revenues.





DISCUSSION

In response to Councilmember Krigbaum, Finance Director Kevin Rodolph explained that the Home Rule Election was successful in November 2018 and said that at that point we were halfway through this fiscal year that the audit is being presented for, so Home Rule comes into play this year for the year ending June 30, 2020. He stated that this confirms exactly why a Home Rule election was needed to be able to do what we need to do with the revenues that we are receiving.

In response to Vice Mayor Smith, Ms. Singleton said that it was over the limit by approximately \$450,000.00.

In response to Vice Mayor Smith, Ms. Singleton explained GFOA stands for Government Finance Officers Association.

Vice Mayor Smith asked that on slide 16 at the bottom of the page where it says, “slight decrease in FY20” should that be “FY19”.

Ms. Singleton said, yes, that is a typo and it should be “FY19.”

Finance Director Rodolph thanked Ms. Singleton and stated that her firm is good to work with and said we had a good audit. He reminded the Council that this audit is for the period July 1, 2018 through June 30, 2019, and said that if you will recall from the budget worksheets, this reduction in general fund cash was planned so it should not be a surprise. He said that there were so many things that needed

to be accomplished this year, that we had planned to take the cash down. He said that we started the year with \$1,350,000.00 and ended with around \$300,000.00, but he said this is nothing to be alarmed about since we had all planned for this and it should not be any surprise.

Mayor Irwin thanked Finance Director Rodolph for pointing this out and said that typically money is saved up to do these major projects and that is the way we had budgeted over the years.

Councilmember Bowen agreed with Finance Director Rodolph and said that this was her feeling through this audit and said this is where we knew we would be based upon the things that we had done this year.

In response to Councilmember Snitzer, Ms. Singleton said that the General Fund target should be \$862,000.00 to cover two months' worth of expenses.

Mayor Irwin thanked Ms. Singleton for her work and joining the meeting this evening.

Vice Mayor Smith moved to accept the Town's Comprehensive Annual Financial Report (CAFR) and the Annual Expenditure and Limitation Report (AELR) for the Year Ended June 30, 2019 as presented. Councilmember Dahnk seconded the motion and by verbal roll call the following vote was recorded:

AYES

ABSTAIN

NAYS

- Mayor Irwin
- Vice Mayor Smith
- Council Member Dahnk
- Council Member Bowen
- Council Member Snitzer
- Council Member Hastings
- Council Member Krigbaum

Mayor Irwin then declared that the Town's Comprehensive Annual Financial Report (CAFR) and the Annual Expenditure and Limitation Report (AELR) for the Year Ended June 30, 2019 as presented was approved, passed and adopted with a 7-0 vote.

D.2 Update and Discussion regarding the Coronavirus Pandemic.

Mayor Irwin said that the Town is facing a crisis unlike anything we have faced in our lifetimes. She said we would like to reassure you that we are in daily contact with the Governor's office and we are monitoring all the recommendations from the CDC and the Arizona Department of Health Services on the measures that should be taken to contain the outbreak of COVID-19. With the assistance of our staff and input from the Council we will be updating you daily on the steps we should be implementing to protect our citizens. She said that she commends the local businesses who have taken the necessary steps to both stay in business and protect all of us and we encourage our citizens to patronize businesses both now and when we are past this crisis. They are the backbone of our community and always the first ones to step up when asked. She asked people to remember to check on their neighbors and be moderate in purchases. Our stores are doing the best they can to keep up with the demand and deserve our gratitude and respect for being there for us. She encourages citizens to check the Town's website for updates and do your part to keep us all healthy.

Town Manager Johnson said that the Town of Pinetop-Lakeside will provide daily updates from the information we receive from Federal and State Government. He said that the Town will send messages out through our Talk of the Town newsletter and Facebook posts. He encourages citizens to access information online or email Tony Alba and we will include you on our email list.

Town Manager Johnson stated he wanted to assure the citizens and businesses that the Town is doing everything possible to support and protect our citizens. He said that on Tuesday, March 17, 2020, the Town Council approved a Proclamation of Emergency Declaration. Following are some highlights from the Proclamation:

- The emergency declaration allows the Town to apply for assistance from the Federal, State and County governments if needed.
- It gives authority to the mayor and town manager to quickly take action deemed in the best interest of the town and its citizens to protect and preserve their safety and wellbeing.
- It allows the town to implement closures of certain public buildings. The library and the visitor center both are closed to the public until further notice, but visitor information is available in the kiosk in front of Town Hall or by calling 928-882-2665.

- No outside groups may hold meetings at Town Hall until the emergency declaration is lifted.
- Unlike some municipalities that have declared an emergency, in the Town of Pinetop-Lakeside there are no mandatory restrictions on restaurants or bars. The Town has adopted certain recommendations for restaurants and bars and are asking for voluntary compliance.

Town Manager Johnson said that it is important to note that the Town of Pinetop-Lakeside is not in an area of known community spread and because of this we have not initiated measures as strict as Maricopa, Pima, Pinal and Coconino Counties. He said that we will continue to follow the recommendations from the CDC and ADHS.

Town Manager Johnson explained that on Wednesday, March 18, 2020, Town staff visited with each restaurant and bar in town limits and reviewed with them the emergency declaration and the recommendations from the CDC and ADHS. We found that nearly every restaurant and bar were already implementing those recommendations. I encourage you to continue to support our local businesses with your patronage. These same businesses have financially supported the many non-profit organizations, sports teams and others and it is important that we now step up and support our local businesses. I would also like to thank our local businesses for being proactive by adopting these recommendations.

Town Manager Johnson said that if citizens have questions, to please call Town Hall rather than come to our office in person. He said that this will help to limit exposure for our employees.

Town Manager Johnson stated that a new order has just been issued from Governor Ducey that he has issued some new executive orders to ensure that Arizona has continued access to food, he is activating the National Guard to assist grocery stores and food banks in the face of heightened demand. This will ensure grocery stores have the manpower needed to keep shelves stocked. The Governor will be issuing an executive order that requires restaurants, bars, movie theatres and gyms in Counties with confirmed cases of COVID19 to close and restaurants and bars to provide dine-out options only. Restaurants will be allowed to deliver alcoholic beverages with food purchase.

Town Manager Johnson said that since Navajo County has confirmed cases these orders will be coming to the Town of Pinetop-Lakeside. He said that the Town

will be provided updated information to the business in Town, by phone or by email.

Town Manager Johnson said that the Town Council meetings will continue to be closed to the public but will be livestreamed through Facebook.

Tyrell Wiltbank, Hushhh Bakehouse, 1684 E. White Mountain Blvd., Pinetop, AZ, asked the following question: “Governor Ducey just announced 45 minutes ago that any county in Arizona that has confirmed COVID19 cases must close all non-essential businesses and bars and that restaurants must go to takeout or curbside service only (no dine in). Will the Town be following this order?”

Mayor Irwin said that the Town will be following the Governors executive orders.

Town Manager Johnson added that the businesses in Town have already voluntarily been following the rules and guidelines that have been previously been announced.

Mayor Irwin said that the Federal Government encourages citizens to look on the IRS and other government websites for help that will be implemented for people and businesses.

Deann Carbajal Jostetler, Flair, 1684 E. White Mountain Blvd., Pinetop, AZ, asked the following question: “Is a clothing boutique considered non-essential?”

Town Manager Johnson said that he has not seen anything related to this but said that he would suggest customers observe social distancing rules of keeping six feet apart. He said there are no restrictions on retail stores at this time.

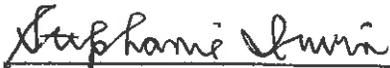
Tyrell Wiltbank, Hushhh Bakehouse, 1684 E. White Mountain Blvd., Pinetop, AZ, asked the following question: “Will someone be able to walk-in and pick up an order or will it be curbside pick-up only?”

Town Manager Johnson suggested that they provide dine out options only and encouraged citizens to look at Governor Ducey’s official information pages.

Mayor Irwin encouraged to use caution, be careful, safe and check on your neighbors.

E. Adjournment

There being no further business at this time, the meeting was adjourned at approximately 7:04 p.m.



Stephanie Irwin
Mayor

ATTEST:



Jill Akins, CMC
Town Clerk



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 Town of Pinetop-Lakeside, Arizona, held on the 19th day of March 2020. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this 19th day of March 2020



Jill Akins, CMC
Town Clerk

