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TOWN OF JEROME, ARIZONA

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MINUTES

SPECIAL MEETING OF THE JEROME TOWN COUNCIL JEROME FIREHOUSE – SECOND FLOOR TUESDAY, JUNE 18, 2013 AT 9:30 A.M.

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| ITEM #1: | <p>CALL TO ORDER/ROLL CALL</p> <p>Mayor/Chairperson to call meeting to order. Town Clerk to call and record the roll.</p> <p><i>Mayor Check called the meeting to order at 9:37 a.m. at the Jerome Fire Station.</i></p> <p><i>Town Manager/Clerk Candace Gallagher called roll. Present were Mayor Nikki Check, Vice Mayor Lew Currier and Councilmembers Anne Bassett and Bill Phinney. Councilmember Randall Hunt was absent.</i></p> <p><i>Other staff in attendance at roll call included Finance Director Rebecca Cretti, Head Librarian Kathleen Jarvis, Zoning Administrator Carmen Ogden and Deputy Town Clerk Rosemarie Shemaitis.</i></p> |
| ITEM #2: | <p>PRESENTATION OF AUDIT – FISCAL YEAR ENDED JUNE 30, 2012</p> <p>Jim Usevitch of Colby & Powell, PLC will present the results of the Town's audit for the fiscal year ended June 30, 2012. Following the presentation, Council may vote to approve the audit.</p> <p><i>Mr. Usevitch reported that there were no problems with the audit and thanked Ms. Gallagher, Ms. Cretti and the staff for their assistance. He said that the staff was well prepared and the audit went smoothly. He then went on to explain the different reports. During the discussion, the following questions and comments were presented (not necessarily in chronological order):</i></p> <ul style="list-style-type: none"> <i>• Vice Mayor Currier said that, over the past few years, he had been told that the enterprise fund, which includes water, sewer and sanitation, had run into deficit. Mr. Usevitch confirmed this. Mr. Currier asked if the deficit was in a particular account – water, sewer or trash. Mr. Usevitch replied that he would have to go back to look at that. Ms. Gallagher asked if that information could be included in the notes and Mr. Usevitch replied that it could.</i> <i>• Ms. Gallagher stated, and Mr. Usevitch confirmed, that it is the internal administration fees paid from the enterprise funds to the general fund that are creating the deficit. Those fees are charged as a way of cost accounting to cover a portion of administrative salaries and overhead. Not all towns do this. Ms. Cretti opined that it is our choice, but it is more accurate to do it that way.</i> <i>• It was noted that the Town generated a surplus of cash over the 2012 fiscal year. Mr. Currier asked how there can be an increase in cash but a deficit in funds. Mr. Usevitch explained that some expenses, such as depreciation, are not cash expenses. He added that the Town is in the positive, and that is very important. Many towns are not.</i> |

- Councilmember Bassett asked how many years are left on the sewer bond. Ms. Cretti replied that it will be paid off in 2030. Ms. Gallagher noted that we just made an extra principal payment. Ms. Cretti commented that our current interest rate is at 4.5%, which is good, but we could renegotiate that. Mr. Usevitch said that we could get a new bond to pay off the old one.
- Mr. Usevitch explained that, in the General Fund as of June 30, 2012, there is a fund balance of \$423,000, and cash on hand in the amount of \$326,000.
- Mr. Usevitch explained that "deferred revenue" is related to grants. If we have received money for a project that hasn't been completed yet, that money is deferred revenue, and a liability, until the project is complete.
- Vice Mayor Currier asked if there are comments regarding things the Town did or did not do correctly. Mr. Usevitch said that the Town is a small operation, but there are three recommendations:
 - He recommended that we create written policies and procedures to document procedures that are already being followed. This will allow new employees to step in as needed, without an extended down time or lost information.
 - Ms. Cretti agreed that we need our policies in writing. Ms. Gallagher asked Ms. Cretti to begin writing down the day to day duties and responsibilities related to her job. Ms. Cretti said that the new part-time staff person, Joni Savage, is already working on that. Ms. Savage is working on utilities now, so that we have clear procedures in place.
 - Ms. Cretti said that we also need a financial policy, a utilities policy, a collections policy and a fixed-asset policy. They can be very simple, she said – no more than one page – but they have to be clear and define what is needed, and everyone should be required to follow them. Mayor Check asked Ms. Cretti to be in charge of that project, and Ms. Cretti responded that she will get it started.
 - He said that, in prior years, not enough depreciation has been taken, and, as a result, our equity was overstated. This was something that was caught by Ms. Cretti. An adjustment has been made to correct this. Going forward, we need to calculate depreciation accurately.
 - Councilmember Bassett asked if some portion of that was reflected in the utility accounts. Ms. Cretti and Mr. Usevitch confirmed that this was true.
 - Vice Mayor Currier asked which items had been under-depreciated. Mr. Usevitch said that the buildings are the most significant items, and Ms. Cretti noted that improvements have been made on the Civic Center.
 - Ms. Bassett commented that she thought the Civic Center had appreciated rather than depreciated in value. Ms. Cretti explained that real estate value is different than bookkeeping value.
 - He recommended, for internal control, that Ms. Gallagher review and sign off monthly on the bank reconciliations prepared by Ms. Cretti.

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| | <p>Mr. Usevitch said that they will add the additional information requested regarding the enterprise fund accounts, and send a final draft of the statements for approval by Council.</p> <p>Mr. Usevitch thanked everyone for the ease of this new audit and making it a smooth transition.</p> |
| <p>ITEM #3: 10:06 am</p> | <p>DIRECTION TO PLANNING & ZONING COMMISSION</p> <p>Council may provide additional direction to the Planning and Zoning Commission regarding the ordinance that was referred back to them regulating and restricting Transient Dwelling Rentals (TDR's)</p> <p>Mayor Check said that have been draft ordinances that have been going back and forth between Council and P&Z, and she hopes that this additional direction will speed things up. P&Z has been requested to develop two ordinances at the same time – one ordinance to rule out TDRs entirely and the other to allow TDRs, but regulated with a conditional use permit (CUP). She added that the Chair (Lance Schall) appreciated the additional direction, as he felt that the previous direction from Council was too vague.</p> <p>Mayor Check asked Ms. Ogden if this was doable. Ms. Ogden replied that she would be meeting with Doug Freund later that day and will also contact Sybil Melody, as she has been working on this also.</p> <p>Ms. Ogden also requested that Council give her more direction regarding the factual information they requested of P&Z and exactly how they want her to approach that. Mayor Check said that Town Attorney Bill Sims could give her a better idea of what is needed, and added that she does not want this to go down the path that Sedona has taken. The Mayor said that she wants factual data to support the purposes of what we are looking to do. For example, instead of just saying that the streets of Jerome are dangerous, she wants supporting data, such as how many and what type of accidents have occurred. Mayor Check said that she wants to ensure that, if either of the two ordinances is adopted, it will be enforceable.</p> <p>Vice Mayor Currier said that the Zoning Ordinance was crafted by attorneys and has been reviewed by attorneys many times over the years. He feels that our ordinance already controls this situation, and would like for those who feel it is lacking to provide some proof of that. The Mayor replied that there are differing opinions regarding that issue; she has heard the opinion that both the Town Code and the Zoning Ordinance are sorely lacking in that department. She and Councilmember Bassett agreed that this has been discussed many times in closed session.</p> <p>Councilmember Phinney said that Council didn't realize that TDRs were such an issue until this came up, and added that our ordinance is unenforceable at this time. Mayor Check clarified that it is easily challenged if enforced at this time.</p> <p>Mr. Currier said that we have had "batteries of attorneys" look at this in the past and he doesn't understand why it is such an issue now. Mr. Phinney said that it is a new issue – no one had ever thought about vacation rentals before.</p> <p>Ms. Gallagher suggested that the Town could get a second legal opinion from Grady Gammage. She was asked to find out what that cost would come to.</p> <p>Councilmember Bassett said that we <u>have</u> hashed this over and there is only one person on Council who thinks that our ordinance is enforceable the way it is. She added that Mr. Sims should be accessible to Planning & Zoning as they go through this process. Council generally agreed.</p> |

Ms. Ogden said that she was directed to schedule a TDR meeting during the following week and will ask Mr. Sims to be available for that.

Councilmember Phinney stressed the need to keep emotions out of this and to back up opinions with facts. P&Z, he said, needs to research this and provide facts based on law, the Zoning Ordinance and anything else that is relevant, including legislation from other places. He added that this is urgent.

Mayor Check agreed and said that Council is trying to determine how to best restrict vacation rentals and TDRs in town. She said that it is a legal matter, and if an ordinance to categorically rule out TDRs is sufficiently developed with facts and has good legal standing, it has as good a chance of passing as one to regulate.

Mr. Phinney agreed, and said that Council wants to restrict these, but they are trying to determine how much they can restrict them without resulting in a lot of legal problems. The Mayor said that we will probably have legal issues no matter which way we go, but at least we can choose the most sound legal direction.

Vice Mayor Currier said, regarding streets and traffic in Jerome, that the streets of Jerome were developed before the advent of the automobiles and they were never suitable for automobiles. He suggested that that would be a good issue to consider. Councilmember Phinney agreed.

Councilmember Bassett said that they didn't restrict delivery trucks and they are destroying certain areas – they should be restricted. She added that we should also limit the size of delivery trucks going into certain neighborhoods.

Curtis Lindner, a Jerome resident, suggested that Council consider the infrastructure issues combined with health and safety issues because of the nature of the clay sewer pipes. Our old sewer pipes are impacted by traffic on our roads. Mayor Check said that we would need to develop actual statistics on whether vacation rentals increase or decrease that use. Mr. Lindner agreed that we would need to show that there is an increased traffic load, and we may need some help getting that.

Councilmember Phinney said that we have to be careful about this because the town garbage truck is the heaviest vehicle that goes around here every week. He said that you cannot restrict one and not the other. Suzy Mound, a Jerome resident, said that if the town needs to minimize the impact on its infrastructure, it should have every right to do so, and the garbage truck provides an essential and required service to the town that protects our health and safety. Allowing a dump truck through, however, is subjective. Mr. Phinney agreed with that logic.

Mayor Check said that these are things that should be developed and then run by our attorney. She said that she is excited that we can start to make some progress on this and have it come back to Council fairly quickly.

Mary Conlin, a Jerome resident, agreed with Mr. Phinney that we need to be unemotional about this, but noted that Jerome is unique, and it is important to maintain a sense and feeling for the town and its history. Mr. Phinney agreed and said that emotions often provide focus regarding what to do or not do. He clarified that both logic and emotion need to be a part of making that decision.

Mayor Check asked Ms. Ogden if she had received adequate direction and Ms. Ogden confirmed that has what she needs to get started.

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| ITEM #4: | ADJOURNMENT <i>Upon motion by Vice Mayor Currier seconded by Councilmember Bassett and unanimously approved, the meeting was adjourned at 10:25 a.m.</i> |
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Edited by Town Manager/Clerk Candace Gallagher from minutes taken and transcribed by Deputy Town Clerk Rosemarie Shemaitis.

APPROVE:

ATTEST:

Nikki Check, Mayor

Candace B. Gallagher, CMC, Town Manager/Clerk

Date: _____