

MINUTES OF THE STUDY SESSION OF THE TOWN COUNCIL OF THE TOWN OF CHINO VALLEY

**TUESDAY, JANUARY 21, 2020
5:00 P.M.**

The Town Council of the Town of Chino Valley met for a Study Session in the Chino Valley Council Chambers, located at 202 N. State Route 89, Chino Valley, Arizona, on Tuesday, January 21, 2020.

Present: Vice-Mayor Jack Miller; Councilmember Mike Best; Councilmember Corey Mendoza; Councilmember Annie Perkins; Councilmember Lon Turner

Absent: Mayor Darryl Croft; Councilmember Cloyce Kelly

Staff Present: Town Manager Cecilia Gritman; Town Attorney Andrew McGuire; Finance Director Joe Duffy; Human Resources Director Laura Kyriakakis; Public Works Director/Town Engineer Frank Marbury; Development Services Director Joshua Cook; Economic Development Project Manager Maggie Tidaback; Administrative Technician Kathy Frohock (videographer); Customer Service Manager JoAnn Brookins; Deputy Town Clerk Vickie Nipper; Deputy Town Clerk Erin Deskins

1) CALL TO ORDER; ROLL CALL

Vice Mayor Miller called the meeting to order at 5:09 p.m.

2) Presentation by Pat Walker with Pat Walker Consulting and discussion regarding Impact Fees. (Joe Duffy, Finance Director)

Joe Duffy presented the following:

- Introduced consultant Pat Walker, and briefly explained her background experience with the Town.

Pat Walker presented the following:

- Reviewed her background in municipal finance.
- Introduced her partner Kevin Burnett with Willdan Financial Services.
- She had experience with impact fee laws and with the Town's attorney. The Town's attorney was highly knowledgeable about impact fees.
- She will be over-viewing a model city ordinance; when fees are adopted, an ordinance would also be adopted that described the statute in more detail.
- Development Impact Fee was a one-time charge. The one-time charge was paid during the building permit process, and then used for capital by the Town. It was not an ongoing fee. It was to offset a public service cost or a necessary public improvement, and it would offset the cost of providing capital facilities for growth development.
- International City Management Association (ICMA) described Development Impact Fees as money collected through a formally set schedule or formula levied against new development projects as a condition against permit approvals to support infrastructure.
- An important aspect was proportionate share. No one should pay more than their fair share for the cost of development.
- Other titles used were Investment Fee, Assistant Development Charge, or Buy-In Fee.
- Excess capacity of existing facilities' money could be recovered to pay for the expansion of

- a facility as new people's use affected the current capacity limits.
- The law does not allow the fees to pay for improvement of services for existing residents.
- Maintenance and repairs could not be funded by impact fees.
- Improvements to service new development was allowed.
- Impact fees had a different methodology. The statute included a law that required the methodology must be completed by an outside qualified professional and not done in-house.
- The methodology depended on the community and the need.
- Methodologies included:
 - When a community needed a lot of people to buy in to a large capacity improvement such as water and sewer, the Buy-In Impact Fee methodology would be used.
 - Forward-looking methodologies look at future facilities to add capacity for new development; these are often called Incremental or Plan-Based Impact Fees. It was better if there were masterplans in place or engineering cost estimates.
 - Hybrid impact fees could be both, addressing new growth partially with existing capacity and partially with new improvements.
- Consultants would work with Town staff to determine what methodology would best suit their purpose. Sometimes all three would be used to calculate which method made the most sense, but there was no single right answer and the law did not dictate what methodology should be used.
- The law dictated publication requirements, type of improvements, and the necessary public improvements.
- There could be fee or service areas for particular parts of a city or town, but most communities placed equal value to all areas for use of public facilities or transportation systems.
- The methodology could be complicated, but a consultant needed to be able to defend it if it was challenged in court.
- Questions a consultant would ask would be: did the town have any current outstanding development impact fee related debt, was there anything sold that the town was paying for, was there a current growth related project that included impact fees, was there an allowable growth related capital need, and was there the ability to gather data required for an IP study such as population, commercial projections?
- There was a required 10 year forecast for non-utility development impact fees and 15 year forecast for water and sewer.
- The law required that new infrastructure must be built within 10 years. This area was vague in the statute and could be further defined in the Town ordinance. Refunds of the fees for infrastructure not yet built could only be requested by the owner of the property at the time. A developer could not come back and ask for en masse, although it was an area to be cautious.
- Storm water was considered a utility but was not in the 15 year category. That only included water and sewer.
- Impact fees must demonstrate demand, benefit and proportionality.
 - Demand - What you need to build in order to maintain existing service levels for new development. Existing service levels must be proved.
 - Benefit – How or when the development benefits the community from the development fees paid.
 - Proportionality – Residential versus commercial and paying their fair share.
- Impact fees for water and sewer could be done under development impact fees, A.R.S. §9-463.05 or a capacity fee under A.R.S. §9-511.01. The main difference between the two was the development impact fee was collected at the time of building permits, which the Town issues only within the boundaries of the Town, but the capacity fee included both citizens inside and outside the Town boundaries.
- The Town had done all that was required by statute for collection of capacity or buy in fees.

- The state statute had been completely rewritten but was convoluted and difficult to understand.
- A study would take about 12-15 months to complete, but depended on circumstances such as the number of stake holder meetings, community outreach, and council meeting approvals. Taking longer than the 12-15 months would require the background information and numbers to be updated.
- Growth-related revenues to offset costs of the new facilities must be forecasted and must be shown by service unit and service area requirements. Service areas were not required if it could be proven it was a one system infrastructure.
- The statute did not allow: city halls and general government facilities, administrative operation and maintenance costs, and parks over 30 acres not showing a direct benefit to new development; police, fire and library projects were also limited.
- An infrastructure improvement plan was required. It could be the same as the capital improvement plan (CIP) but required more information than the CIP. Detailed information included disclosing the existing infrastructure, the available capacity and cost, identifying public service areas, an interrelated infrastructure improvement plan (IIP) and fee structure plan, IIP must be justified and that it had been updated every five years, public hearings on land use, and must define completion dates on projects.
- The IIP land use assumptions shall be adopted or updated before the fee adoption. The land use assumptions must also conform to the General Plan overall, it must identify projects and service areas, and projects and services for new development.
- The land use assumptions must include the Town's growth projections for the next ten years for residential, multifamily, industrial, and commercial.
- The statute required an advisory committee or biannual audit. It was recommended to have a combination with an ad-hoc advisory committee or strictly do a biannual audit. The advisory committee advised on land use plans, IIP development fee reports, and monitored the implementation of the IIP. There had to be three members from building/real estate development, one in home building and municipal officials or employees could not be members. The biannual audit was in addition to a required annual audit report and was required after two years with an outside firm that did not complete the development fee study. The audit must be done by qualified professionals (CPA firm not required), reviews the collection and expense of each fee and each project, level of service, land assumptions and a public hearing within 60 days of the release of the audit. The biannual audit still provided oversight and was often the chosen method by communities because of the advisory committee requirements.
- Prior development fees for police, roads, streets, library and parks and recreation were low for the Town.
- The statute requires "necessary public services" to have a life expectancy of three or more years and to be owned by or on behalf of a municipality.
- Fire and police facilities did not include a facility or a portion of a facility that was used to replace services that were once used to provide services elsewhere in the municipality, vehicles and equipment used to provide administrative services, or a facility used to train fire or officer personnel for more than one station or substation.

Kevin Burnett discussed the following:

- Provided his background and experience.
- Road and street fees were difficult because the calculation needed was different than any other calculated fees. The Police and fire were calculated in a similar way but streets were much more complicated.
- The collector and arterial streets were the streets that were calculated for impact fees. Impact fees for streets included traffic lights, bridges, culverts, storm drains, etc.

- Builders and developers were at odds about the items they wanted included in the impact fees.
- Need to determine the impact or capacity used by the new development. In the case of transportation, would start with the number of vehicle trips and how many trips were generated by a particular development or how many trips generated by a single-family home. A trip adjustment factor also considered the length of trips which would vary by community. The demand that was placed on the community would vary in every community and would calculate the number of trip miles from a particular development. The calculation would only include town boundaries.
- Trip calculations were reviewed.
- Parks and recreation fees were philosophically more difficult to determine. Although the level of service based on the number of acres per the number of residents was straight forward, adding in items like soccer fields, baseball fields, etc. based on level of service was more of a philosophical determination. Exclusions to parks included bandstands, bathhouses, boat houses, greenhouses, wetlands, equestrian facilities, and lakes. There was a distinction between a pool and an aquatic center. A local pool was allowed but an aquatic center with extras like spring boards, splash pads, etc. were not allowed.
- A park over 30 acres needed to have a direct benefit associated with the size.
- Capital financial planning included:
 - What information was available to determine how to develop the fee (customer demand, masterplans, and philosophies in growth).
 - Resources available to pay for the no growth side.
 - The CIP would turn into the IIP to show the future infrastructure and the level of service.
 - Fee calculation estimated.
 - Revenue projection estimated.
- Planning would include determining the Town's financial growth over the next ten years and the current level of service and the level of service going forward.
- The IIP needed to identify the current level of service and who would be served. It needed to be reasonable and something that could be defended. Infrastructure needed to be identified and the available capacity in the existing infrastructure and what was needed going forward also needed to be identified. The IIP was the most specific part.
- If the new development collected more revenue than was expended on operation and maintenance, then there would need to be a credit given back. If there was a new construction sales tax higher than the normal sales tax, it had to be applied to capital and offset the cost of new growth.
- The ten year financing plan methodology would be based on information specifically for the town, including growth and building out.
- The year and half process were partly a result of waiting periods after meeting the required milestones. Each required step had to go back to back and needed to fit into the normal schedules. The shortest period of time for completion was approximately 275 days.
- The process would start with a kickoff meeting.
- All items were reviewed with everyone throughout the process.
- Publication change requirements were by state law. Documentation of the fees included how the money was spent, revenues collected, and what was done with the funds.

Council, town attorney, staff, Kevin Burnett, Pat Walker discussed the following:

- Conforming and nonconforming growth had been used in funding requests for the Department of Transportation, but classifications were not necessary for impact fee reports.
- In order to use impact fees for a new police department, the Town would need to show that its current resources are not capable of serving new growth. Any improvement to the current

level of service provided to existing residents could not be paid for out of the impact fees; only the future growth portions of the debt service taken on by the Town could be paid with development fees.

- There was disagreement on the interpretation of the statute stating the level of service could never increase beyond the current services provided. In periods of growth, it did not make sense. The statute really stated that development fees would not pay for anything beyond the growth. The calculation needed to be fair. There had been legal challenges on the allocation of fees.
- Discussed legislative discretion and oversight by local authorities on the important infrastructure of communities. The ordinance tried to address an issue at the state-wide level that was not unified statewide because development was different in every single community in the state.
- Studies show that the impact fees on potential growth depends on comparable fees to neighbors. Developers have been on both sides, in which some don't like the fees and others liked that the Town was investing in the needed assets to make the houses sell and attract businesses. If people were there, they would build the homes.
- It was important to have developers' part of the public outreach and involved in the process.
- Commercial investments were dependent on the market and less on the development fees, which were a small part of their total investment.
- Town could either require developers to develop or to widen streets and add sidewalks during the development phase or they could pay the impact fees and the Town could do the development. To keep the costs down, some municipalities only charge development fees for the middle lanes of arterial roadways; the lanes adjacent to a project (including curb, gutter and sidewalk) would go to the developer as the subdivision requirement and then the middle two more regional lanes would go to the development fee. Developers saw that as a fairer process.
- When comparing community's impact fees, it was extremely difficult getting an apples to apples comparison.
- The Town already had buy-in or connection fees for sewer and water, and if the methodology was good and the Town was collecting the necessary funds for future capacity, there was no need for an additional impact fee.
- Citizen's service levels were being decreased every time a building permit was pulled for a new community member who came to town and a fee wasn't assessed to help with future development. Someone had to pay for future infrastructure, and it is unfair for existing residents to pay for new growth.
- It was important to determine ongoing costs since it required regular audits, and council members questioned if they could spend more on bookkeeping and future study updates. It was explained that future updates and fees could be recouped.
- The sewer expansion and impact fees were discussed.
- New construction permits were at approximately 100 homes per year. Council members stated there had been a huge influx of growth and citizens didn't want further growth, but thought the impact fees would not cause backlash from the community since it was for new growth and did not penalize current residents. The developers and new citizens could be upset about the fees. The Town's future growth was restricted by water.
- The comparison of surrounding communities was important so Town knew if they were way off base on the fees, but it was unclear how the Town could provide appropriate services without impact fees. The Town could not handle what they currently had and could not afford to take on more. Developers had to pay their fair share.
- The new developments should help pay for the roads they would be using and Town was having to make new roads for the increased population. Currently, the roads are required to be put in as part of the development process.
- The plans that went with the fees had to be reasonable and had to be implemented. The

Consultant would help manage the expectations of what was realistic, which would keep the fees down. Occasionally a town had backed away because they could not implement the plan or the fees were not large enough.

- Members talked about upcoming future development. The Town needed to figure out how to have a maintenance program for the roads before they figure out how to utilize the small amount from impact fees. The Town could get a bond and the user impact fees could be used to pay off a portion over ten years.
- The cost of the study was under \$100,000. It would be voted in by Council. The percentage of the big cities had impact fees was high but some of the smaller towns did not have impact fees. The size was not as important as the growth of the area.
- The impact fee committed the Town to doing projects. The burden of paying for the projects was coming whether the Town implemented impact fees or not.
- The projects and numbers needed to be presented to the Council for consideration.

3) Presentation and discussion regarding Town Manager's recruitment. (Laura Kyriakakis, Human Resources Director)

Cecilia Grittman and Laura Kyriakakis presented the following:

- Town Manager Grittman would be retiring March of 2021.
- There had been five or six managers since she had been employed at the Town and all had been hired in different ways.
- The Council wanted a succession plan, so Ms. Grittman and Ms. Kyriakakis developed a plan.
- A timeline was presented for the recruitment process and how long it could take.
- The process would begin in February 2020 and finish in February 2021, which gave the Town the time to focus on candidate profiles and selection process.
- With this level position, it was typical to hire an executive search firm. This type of recruitment was different than hiring other lower level positions. It took extensive assessment of the position. After the process review, the next step would be to delve deeper into the process with an executive search firm.
- The first step was developing an ideal candidate profile. The primary way to do that was with discussions, meeting with the Town Council to discuss job specifications, education, experience, knowledge, skills and other requirements needed. It would consider what the Council did and did not want and what the Council wanted but did not currently have and the goals of the council.
- Key staff could be part of the process since the Manager works closely with staff and their needs and wants.
- The candidate profile needs could also include historical knowledge, understanding of local area and the State of Arizona, good delegation skills, a good liaison between council and staff, experience working with public entities and municipalities, land and economic development, public works, public finance, public human resources, communications skills, and production.
- Council needed to consider what had not worked with past managers and the leadership skills necessary to continue the healthy culture that currently existed with the Town, which was One Town, One Team.
- This information would help create the candidate profile and update the job description. This process was allotted two months.
- The next step would be to develop a selection process that included who, what, where, when and how for the selection process. Considerations would be interview panels, written exercises, oral interviews with an interview panel, public question and answer sessions, and meet and greets.

- The next step would develop recruitment and advertisement material. Questions to consider were the type of materials to utilize to promote the position and Town. When using an executive search firm, their network and website could be used to attract candidates.
- The next step would be to actively start recruiting for prospective candidates. Recruitment could be through external or internal or combination of both. An executive search team would be \$10,000-\$20,000. If pursuing an internal candidate, a succession plan would need to be in place and the candidates needed to already be developed and qualified to step into the position within a year. The cost involved for an internal hire would leave an opening that still needed to be filled. There would also need to be a focus on internal training for the existing staff. There was currently no succession plan in place and internal candidates could consider the external route. Moving forward, there should be a developmental program that was more formalized for internal succession.
- The next step would be to review and prescreen applicants. This could be done through HR and the executive search team or the Council could see all the candidates if they wanted. It was typically easier to filter the applications and bring in the top applicants based on the Council profile.
- The next step would be to make an offer and start contract negotiations. During that time, it would be a conditional job offer.
- The contract would be finalized and the person would come on board. The overlap should be no longer than two weeks.
- Staff reached out to three executive search firms and got their prices. The one staff was interested in had a cost of \$14,000. The person heading up the search was a human resource director for a municipality in Arizona and had good knowledge of recruitment at a high level.
- Staff could do group meetings with Council members in private about what they liked about the existing town manager, what they thought needed improvement, their vision for the Town, what the town manager needed for the future and similar discussions.
- Council members voiced concern over subordinates picking their boss. Staff explained that it might be good to have department heads be involved because they worked very closely with the Town Manager. Their input would be valuable and would be given directly to the Council. The current manager was a great liaison with staff and council.
- Council members thought an executive session would be beneficial because they did not want to review their department heads in an open meeting about weaknesses that may need to improve. The Council was reminded that Executive sessions were allowed for appointed personnel discussions, and not for department heads; they were under the direction of the Town Manager. The Council could discuss skills they believe the new manager needs, based upon current gaps in expertise on staff. The Human Resource Director should be included so that those characteristics and goals were included in the recruitment process.
- The current manager would have the greatest knowledge of gaps and weaknesses with department heads.
- Council members agreed an executive session and small group meetings were the way to start the process. Staff thought the executive search firm should be involved in the executive session as well to help create the ideal candidate profile. Council did not want the executive firm to be involved in the executive session and wanted the HR Director to relay the information as necessary.
- The Council could meet in the executive session and then meet with the executive search team for further guidance.
- Staff and Council discussed important aspects of the position.
- Council requested staff move forward scheduling the executive session.

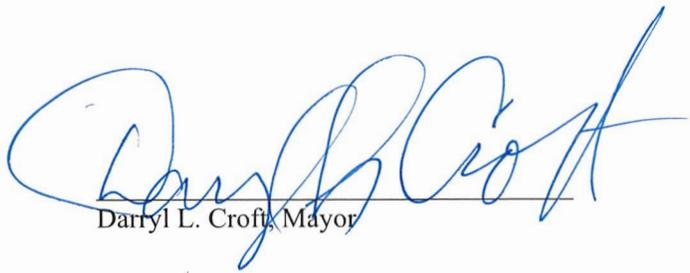
4) Consideration and discussion regarding developing engineering standards. (Frank Marbury, Public Works Director/Town Engineer)

Council Members and Frank Marbury presented the following:

- Requesting input on grading and drainage on engineer standards.
- Civiltech was working with staff on the draft chapters.
- Grading was the standard for all the earthwork activities and most the grading requirements were per the international building code (IBC). The draft standards complimented the IBC and also provided standardization for when a permit was needed, when a geotechnical report was required and define what was needed for erosion control measures. The standards also complimented the drainage standard because water and drainage went together.
- Suggested a permit requirement with a minimum threshold of 50 cubic yards of dirt being moved or 10,000 square feet of clearing and grubbing.
- Exemptions in the draft chapter included work below basements and footings because it was part of the building permit, wells were exempted, utility trenches were under utility regulations, mining and stockpiling were covered by other permits, and other various exemptions were discussed.
- These standards were currently being used but were not part of the current code. Putting it into the code would make people aware of what to expect. It was easy to follow and would save money for people bidding jobs in the Town.
- Standards and requirements that were covered in the draft were briefly described. It would help engineers bid jobs for their clients.
- The draft code covered at risk grading permits, which meant dirt could be moved but depending on circumstances of the final plan, the dirt might need to be moved back.
- Inspection requirements, certification requirements and record drawings and as-built requirements were addressed.
- Flood control and historic and natural drainage at property lines were important issues, so staff wanted to adopt the County Drainage Manual by reference. The manual's source was the Maricopa drainage manual and several jurisdictions used the manual. It required professional reports and exemptions could be added by the Town if desired based on zoning or lot size. This could be addressed in the UDO rewrite. Council discussed historic drainage issues.
- The manual was written to allow any development review as needed. The drainage review process had three detailed phase reports that could be used as necessary.
- The manual's drainage components dealt with storm water quality to ensure the environment was not polluted.
- Staff reviewed the differences between the Town code and the County code for roadway drainage requirements.
- The county covered requirements in the County not covered in the Town for storm water drainage.
- The erosion requirements in the manual had extensive detail on erosion control and did cover SWPPS. It was what the Town currently practiced but written in an easier way.
- Council did not want to overburden a homebuyer but wanted also to protect them so they were not getting flooded. It was a compromise between overregulation and underregulating.
- Being in conformity with the County would be a good thing.
- This could go to UDO Subcommittee for consideration.

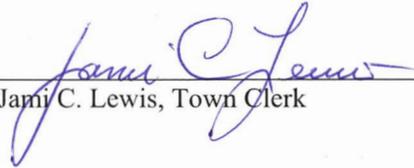
5) ADJOURNMENT

The meeting was adjourned at 8:03 p.m.



Darryl L. Croft, Mayor

ATTEST:

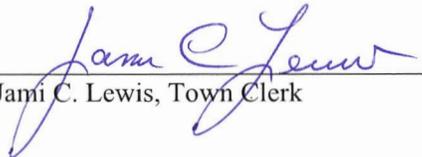


Jami C. Lewis, Town Clerk

CERTIFICATION:

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Study Session of the Town Council of the Town of Chino Valley, Arizona held on the 21st day of January 2020. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this 11th day of February, 2020.



Jami C. Lewis, Town Clerk