

**MINUTES OF THE BUDGET WORKSHOP
OF THE CAREFREE TOWN COUNCIL**

WHEN: TUESDAY, APRIL 19, 2022

WHERE: CAREFREE TOWN COUNCIL CHAMBERS
33 EASY STREET, CAREFREE, AZ 85377

LIVESTREAM: [HTTPS://ZOOM.US/](https://zoom.us/j/3229729660)
MEETING ID 322 972 9660
PASSCODE 12345

TIME: 3:00 P.M.

Town Council Attending:

Mayor Les Peterson
Vice Mayor John Crane
Vince D'Aliesio
Tony Geiger
Stephen Hatcher (Arrived at 3:56 p.m.)
Mike Johnson
Cheryl Kroyer

Town Council Absent:

None

Mayor Peterson called the meeting to order at 3:00 p.m.

ITEM #1 Review, discussion and possible action to approve vacating portions of a Vehicular Non-Access Easement (VNAE) for lot 6 (Tax Parcel # 2016-28-070) and lot 9 (Tax Parcel # 216-28-073) of the Nighthawk on Black Mountain Subdivision and vacating the existing access and utility easement shared between these lots.
(This case to be continued at applicant's request).

This item has been continued to a date to be determined.

ITEM #2 Workshop to discuss Fiscal Year 2022-2023 budget.

Carefree Town Administrator, Gary Neiss presented via PowerPoint the second of three public budget workshops to discuss and review at a high level the forecasted operational costs and planned expenses for FY 2022-2023. Mr. Neiss announced a draft of the program-based budget will be available on the Town of Carefree website and digitally sent to each Councilperson and each citizen who is subscribed to the Town of Carefree's newsletter. The program-based budget is an extensive narrative about the Town, identifying the roles of Staff, various accomplishments, workloads and considerations for next year.

Outlining the overall budget process, Mr. Neiss explained, the next budget workshop is to be held **Tuesday April 27, 2022 at 3:00 p.m.** which is the 3rd and final workshop, allowing Council and the Community to ask questions of Staff, relative to the program-based budget. Next, the public hearing process associated with the budget begins, with the first meeting to be held in **May**, when

the *tentative* budget/expenditure limit for the next fiscal year is adopted. Finally, the *June* budget hearing to adopt the *overall* budget will be held to meet the July 1st deadline when the new fiscal year begins.

Mr. Neiss proclaimed the Town of Carefree has always taken a fiscally conservative approach and shared the four attributes of the Town's solvency that need to be reviewed and reconciled annually to balance sometimes competing needs:

1. Cash solvency – the ability to pay bills
2. Budget solvency – the ability to balance the budget
3. Long range solvency – the ability to pay future costs
4. Service solvency – the ability to provide needed and desired level of services

Adding, on an annual basis, cities and towns look at the weight of their core services and reconcile that with their respective revenue streams and in Arizona there are three:

1. State Shared Revenue
2. Local fees
3. Property taxes

Further explaining, the Town of Carefree Revenue Model is without a Property Tax; therefore, heavily dependent upon local revenues and State Shared Revenues. Mr. Neiss presented a three-legged stool analogy to better define the comparison between a typical Municipal Revenue Model and the Town of Carefree's Revenue Model and provided forecasted revenue streams for FY 2022-2023.

Displaying a chart depicting the performance of the Town's sales tax base over the last 16 years, Mr. Neiss explained, since 2017 the Town has been on an upward trajectory due to the current robust economy and increase in gross domestic product, reminding that this is a volatile revenue stream and difficult to predict how it will perform in the future. Adding, the economic initiatives that Carefree Economic Development Director, Steve Prokopek is working on, are critical to the Town of Carefree's solvency in the future and economic development is a critical component to enable the Town to pay and provide services to its citizens.

Mr. Neiss provided charts exhibiting the local trends in municipal sales tax, areas of growth, development impacts, anticipated user fees, cost recovery fees and the forecasted state shared revenue.

Councilmember D'Aliesio asked if an increase in municipal sales tax is something the Town would have the ability to impose in the future. Mr. Neiss responded, yes, but the danger in a sales tax increase is, business migrates outside the community. Informing, just because the tax is increased, doesn't mean the Town will yield an increase in revenue.

Councilmember Johnson inquired, with respect to online sales tax, when a Carefree resident has a zip code that is not the zip code they reside in, is there any way to capture those online sales? Mr. Neiss explained he did not have the answer to that and an issue throughout the state of Arizona that needs to be resolved.

Mr. Neiss explained, user fees are cost recovery fees, consisting of:

- Building permit fees
- Utility fees
- Court service fees
- Mr. Neiss announced, the Intergovernmental Agreement (IGA) between Carefree and Cave Creek for the Consolidated Court, is a point of pride for the community. The communities of Cottonwood and Camp Verde used Carefree/Cave Creek Consolidated Court I.G.A. as a model. Concluding, this is something our community should be very proud of.
- Fines
- Rental income
- Licenses
- Agreements
- Interest
- Clerk fees

Presenting the forecasted State Shared Revenues, Mr. Neiss explained there is a 300,000.00 increase, from State income tax and State Sales tax. Two indicators that show we are in a growth mode and a sign that the economy is robust.

Mr. Neiss presented the Operational Expenses and budget for Fiscal Year 2022-2023. Informing, that the Town of Carefree has one of the smallest staffs and operational budgets in the state. Mr. Neiss provided a high level break out of the operational budget. Pointing out, Public Safety is approximately 40% of the Towns expenditure from the operational side of the ledger. Councilmember Kroyer asked if the Public Safety 2023 figures presented, consider, the possibility of joining automatic aid and the increased costs associated with that? Mr. Neiss informed; the town would be in the transition program since this is a process that will take time. Confirming, the contract costs with Rural Metro have been budgeted for. Further explaining, if we are successful and the citizens desire the move into automatic aid, funds have also been budgeted to train the fire fighters on the *response system* with automatic aid.

Presenting details of the Town's Capital Improvement projects, Mr. Neiss reminded this is separate from the Operational budget. What the Town of Carefree has done historically is package projects to create economy of scale to reduce unit costs and then spend down to manage the Town's aging infrastructure.

Capital projects will focus on the drainage project, which the Town received a 480,000 grant for the 650,000.00 improvement, traffic sign replacement/additions, pavement maintenance, and fire infrastructure. Mr. Neiss announced, he has applied for a grant for a new firetruck, if unsuccessful, will have to be funded over two fiscal years.

Mr. Neiss summarized the budget and concluded his presentation.

Vice Mayor Crane asked, does the sales tax revenue for accommodations and hotels include the bed tax? Mr. Neiss responded, the 3% bed tax is included in accommodations. Gary added, state sales tax does not have a lag. State income tax to the Town has a two-year lag.

Councilmember Johnson asked, when we have revenue shortfalls and don't meet our revenue targets, are there contingency plans to defer or cutback on cash outlays? Mr. Neiss responded, absolutely, this is evaluated monthly and due to the conservative management principles that the Town employs, in the 20 years Mr. Neiss has been with the Town, has not had to go draconian measures to meet payroll or the needs of the Carefree community.

Council commended Mr. Neiss for the hard work put forth and clarity throughout this budget process and for being so conservative with the Town's money.

There were no comments from the public.


ITEM #3 Adjournment.

Councilmember Kroyer **MOVED TO ADJOURN.** **SECONDED** by Councilmember Geiger. **CARRIED**, unanimously.

DATED this 14th day of April 2022.

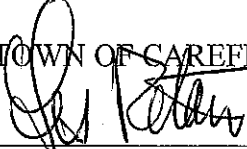
TOWN OF CAREFREE

BY:




Samantha J. Gesell, Planning Clerk

~~TOWN OF CAREFREE~~



Les Peterson, Mayor

Attest:



Samantha J. Gesell, Planning Clerk

CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the Budget Workshop of the Town of Carefree held April 19, 2022. I further certify that the meeting was duly called and held and that a quorum was present.



Samantha J. Gesell, Planning Clerk