

DRAFT

MINUTES
SPECIAL SESSION
MAYOR and COMMON COUNCIL
of the
TOWN OF CAMP VERDE
COUNCIL CHAMBERS
473 S. MAIN STREET, ROOM 106
WEDNESDAY, OCTOBER 24, 2007
at 5:30 P.M.

Minutes are a summary of the actions taken. They are not verbatim.
Public input is placed after Council motions to facilitate future research.
Public input, where appropriate, is heard prior to the motion.

1. **Call to Order**

Mayor Gioia called the meeting to order at 5:31 p.m.

2. **Roll Call**

Present:

Mayor Gioia, Vice Mayor Hauser, Councilors Elmer, Garrison, Kovacovich, Parry, and Smith

Also Present:

Town Manager Mike Scannell and Town Clerk Deborah Barber

Councilor Parry led the Pledge of Allegiance.

3. **Discussion of performance review followed by discussion, consideration, and possible assignment, appointment, promotion, and/or salary adjustment of Marshal David Smith.**

Manager Scannell explained that David Smith had requested that this discussion take place in Executive Session and that he had elected not to attend.

On a motion by Hauser, seconded by Garrison, the Council voted unanimously to go into Executive Session pursuant to ARS §38-431.03 (A)(1) for discussion or consideration of assignment, appointment, promotion, demotion, dismissal, salaries, disciplining or resignation of a public officer, appointee or employee of any public body.

The Special Session was recessed at 5:33 p.m. and reconvened at 5:57 p.m.

On a motion by Gioia, seconded by Kovacovich, the Council voted unanimously to approve a 2.5% annual merit increase with an additional 2.5% increase to compensate David Smith for his performance as Interim Manager for which he had received no additional compensation.

Gioia asked the Manager to convey Council's appreciation for Smith's service.

Public Input

There was no public input.

4. **Discussion, consideration, and possible authorization for Town Manager Mike Scannell to award David R. Smith an annual stipend of \$10,000 upon his appointment as Human Resources Director and to transfer the funds for the prorated stipend and ancillary payroll amounts of \$8,015.01 from contingency into the appropriate personnel line items for the remaining FY 07/08 budget year. (Staff Resource: Michael Scannell)**

On a motion by Smith, seconded by Kovacovich, the Council voted unanimously to support the Manager's appointment of Marshal David R. Smith as Human Resources Director, to approve the annual stipend of \$10,000, and to transfer the funds for the prorated stipend and ancillary payroll amounts of \$8,015.01 from contingency into the appropriate personnel line items for the remaining FY 07/08 budget year.

Scannell said that he is recommending appointment of David Smith as HR Director in addition to his duties as Marshal. He explained that the HR position is vacant due to the retirement of the Finance Director. Scannell said that Smith had indicated an interest in taking on this position and he spoke to a number of Smith's qualification to fill the position, including his education and training.

Scannell said that he believed that it was important to involve Council in this decision even though the Town Code puts this position under the Manager's appointment and direction. He explained that HR is a very important position in any organization and it was his intent to keep Council informed of critical events. He further noted that a precedent for a stipend had been established with the previous Finance Director, in that he received an annual \$10,000 stipend for assuming the duties of HR Director. Scannell said that he did not have the authority to appropriate these funds and recommended that Council approve the stipend.

Gioia said that he supported this request and noted that Smith also teaches Human Resources at the college level and that he believed Smith would be excellent in this position. Gioia said that they had spoken to his first project [to taken on] should he be appointed to the position.

Public Input

There was no public input.

5. **Discussion, consideration, and possible authorization for the Town Manager to engage a CPA firm to prepare the financial statements for the Fiscal Year that ended June 30, 2007 and to negotiate a fee not to exceed \$15,000 for the completion of this work. This is an unbudgeted item from Contingency. (Staff Resource: Michael Scannell)**

On a motion by Hauser, seconded by Garrison, the Council voted unanimously to authorize the Manager to engage a CPA firm to prepare the Financial Statements for the Fiscal Year that ended June 30, 2007 and to negotiate a fee not to exceed \$15,000 for the completion of this work.

Manager Scannell advised that with the retirement of Finance Director, the position is still vacant. He explained that we are preparing for the audit for FY ending 6/30/07 and that Lisa Lumbard &

Associates had been engaged following an RFP process and that she is prepared to begin the audit. However, the Town's financial statements must be prepared first. He explained that typically the statements are prepared and transmitted to the auditor and the auditor then certifies that the statements are substantially adequate and correct. The auditor must perform an independent audit and therefore, cannot prepare the statements. Scannell advised that though Finance personnel are able to perform their duties, there is no one in the Finance Department that is qualified to prepare the statements. He explained that a CPA needs to prepare them on our behalf. He recommended that he be authorized to obtain an independent auditor, negotiate an agreement defining a scope of work, and suggested the firm that Council had interviewed. He advised that the costs are expected to range from \$10,000 to \$15,000 depending on the amount of work required to complete the statements. He said this needs to be done as quickly as possible.

Councilor Smith noted that we would not be spending this money if the Finance Director were still here and Scannell agreed. Smith said there were substantial costs related to his sudden departure.

Councilor Garrison asked if this would require a RFP process and Scannell explained that it fell within the profession services exemption. He said that he would make calls to ensure the best possible price.

Gioia said that he understood the reasoning. He related that he too hated to spend unnecessary funds, but there is a need. He noted that Council was taking steps in moving closer to recommendations made in the past. He said that Council discussed how to handle the Town's financial matters differently in the past and that this step was moving closer to the end goal. He said he felt this was a benefit to the community and he supported the request.

Hauser asked if the statements should have already been completed. Scannell said that some people believe that the process begins as soon as the year closes. He explained that the year-end closing was a cumbersome process that takes a tremendous amount of time. He advised that the Town is required to send the Financial Statements to the Auditor General by February and that the former Finance Director was working diligently toward this goal. He said the work is in line with what he would have expected to see.

Gioia disagreed noting that we are further along than usual. He said that he had been contacted by the Auditor General in the past about delinquent statements.

Smith interjected stating that we are not doing anything differently; we were just preparing the documents for an audit, which is exactly what the Finance Director was doing. He said that the community was not getting anything differently.

Gioia disagreed.

Scannell explained that the Council chose to have a CAFR, which will provide more data. He explained that both Gioia and Smith were correct, as it did not mean the audit would be done differently. He said that a CAFR is a more in-depth process, but it does not connote that we're diving deeper into the audit itself. He noted that many forward organizations conduct CAFRs.

Smith stated that a CAFR does not make the audit more accurate. Scannell agreed. Smith said that a CAFR buys a plaque to hang on the wall and that he was not comfortable spending \$8,000 for a plaque. He said he was tired of this Council throwing away money.

Scannell reiterated that a CAFR was a tool used by most forward-thinking organizations and that he believed it was a good thing to do, noting that it is Council's decision. He explained that it would educate the community on what the Town government is doing. In answer to Smith's question about timeliness filings, Scannell explained that we would request an extension and was told that it would not be a problem.

Smith then asked Scannell if he was comfortable with the existing techniques, technology and personnel providing an accurate financial picture on a monthly basis. Scannell replied that he did have some reservations.

Parry noted that Council had already decided to do a CAFR and that this discussion was off the agenda topic. Gioia ended the discussion.

Public Input

There was no public input.

6. **Discussion, consideration, and possible approval for the Town Manager to expand the scope of work and negotiate an additional fee not to exceed \$10,000 for external auditor Lumbard and Associates, PLLC to review our financial policies and procedures and to develop a series of recommendations for implementation.** This is an unbudgeted item from Contingency. (Staff Resource: Michael Scannell)

On a motion by Hauser, seconded by Kovacovich, the Council voted unanimously to authorize the Manager to expand the scope of work and negotiate a fee not to exceed \$10,000 for the external auditor to review the Town's financial policies and procedures and to develop a series of recommendations for implementation.

Scannell advised that he has been serving as the Interim Finance Director and is glad to work with staff. He said that he had identified a number of things that could be changed without impacting the quality and integrity of our financial procedures, noting that he is very concerned with our limited resources. He advised that he recommends that the auditor look into how we do things, for example, issuing purchase orders for items that cost \$100. He explained that most contemporary organizations allow much more. He advised that he had spoken with Lumbard about some of these things and she agreed that changes could be made without impacting the integrity of the procedures. He explained that staff needs to turn their focus toward more important items. He stressed that he was not saying that things are not being done wrong, but rather he recommendation was to improve performance in ways that Council might be pleased. He explained that it is not uncommon to have this type of review as it relates to the financial management of an organization and that he believed that we could free up limited resources to focus on more important matters.

Parry noted that when he owned his business, it cost \$35.00 to process an invoice. He said that there was a huge hole in the bucket and that this review would pay for itself. He said that he applauded Scannell for recognizing this and the speed in which he able to accomplish it.

Gioia said that Council was looking forward to changes and the possibilities to make changes, noting that this is a way to measure those possibilities. He said that Scannell's experience speaks for itself and that he supported the recommendation. He said that he does not care to spend money; but that we are trying to move forward to make changes and that this is a necessary step to get there.

Scannell thanked Council for their support.

Public Input:

There was no public input.

7. **Adjournment**

On a motion by Parry, seconded by Hauser, the meeting was adjourned at 6:27 p.m.

Deborah Barber, Town Clerk

CERTIFICATION

I hereby certify that the foregoing Minutes are a true and accurate accounting of the actions of the Mayor and Common Council of the Town of Camp Verde during the Regular Session of the Town Council of Camp Verde, Arizona, held on the 24th day of September 2007. I further certify that the meeting was duly called and held, and that a quorum was present.

Dated this _____ day of _____, 2007.

Deborah Barber, Town Clerk