

**TOWN OF PAYSON
TOWN COUNCIL MEETING
MINUTES OF THE SPECIAL MEETING
June 18, 2009**

CALL TO ORDER

Mayor Evans called the meeting to order at approximately 3:00 p.m. at the Town Council Chambers, 303 N. Beeline Highway, Payson, Arizona.

PLEDGE OF ALLEGIANCE

PRESENT: Mayor Kenny Evans, Vice-Mayor Ed Blair, Council Member Mike Vogel, Council Member John Wilson, Council Member Richard Croy, Council Member Michael Hughes, and Council Member Su Connell.

STAFF PRESENT: Debra Galbraith - Town Manager, Sam Streichman - Town Attorney, Martin deMasi - Fire Chief, Donald B. Engler - Police Chief, Silvia Smith - Town Clerk, LaRon Garrett - Town Engineer, Ray Erlandsen - Acting Community Development Director, Terry Morris - Library Director, and Cameron Davis - Parks, Recreation and Tourism Director.

Vice-Mayor Blair was present telephonically.

OTHERS PRESENT: Tracie Bailey - Deputy Town Clerk, Tim Wright - Deputy Town Attorney, Diane Storyer - Legal Department Office Manager, Ray LaHaye - Chief Building Official, Nelson Beck - Parks Supervisor, and Hope Cribb - Budget Analyst I.

PURPOSE OF MEETING

1. Discussion/possible action re: 2009/2010 tentative budget.
2. Discussion/possible action re: Crescent Resources L.L.C. bankruptcy and the Town's position in regard to the bankruptcy.

Debra Galbraith, Town Manager, gave a brief update on next year's budget and listed some actions the Council could take.

Mayor Evans asked what amount would go back into the budget for vehicle license tax. Ms. Galbraith replied \$950,000 and that did not include the property tax levy.

Council Member Vogel noted retiree health insurance had increased by twenty percent.

Mayor Evans stated the Crescent Resources bankruptcy will also affect the budget. The balance was approximately \$186,000 and the challenge was the significant shortfall. The Mayor did not feel that taking a loan would help.

Ms. Galbraith stated there were several different options available to the Council. Mayor Evans suggested finding someone in the community who had the resources to assist. Ms. Galbraith stated a meeting had been set in October with the insurance

representative. Mayor Evans believed there were three things that were critical to look at for personnel: major medical, the percentage of medical paid by the employee, and retiree insurance paid by a third party.

Council Member Croy asked what the total number of retired people was. Ms. Galbraith suggested stopping the insurance right now and then deciding what to do later. The Town had to adopt the tentative budget by July 7, 2009. Sam Streichman, Town Attorney, stated he would have to research what the consequences to the Town would be if insurance was cancelled.

Mayor Evans asked what the Town's portion for retiree insurance was. Hope Cribb, Budget Analyst I, replied \$360,000. Rates are eighty-one and a half percent for the Town and eighteen and a half percent for the employee.

Council Member Vogel believed it was bad timing to increase insurance and did not support that. Council Member Vogel favored giving employees a furlough day and options b, c, and d.

Council Member Hughes felt it was too late to do anything to affect the budget, but believed the Council could get answers in place for the next budget.

Council Member Connell asked if Council went forward with the numbers on the insurance, was there a period that it could change midstream. Ms. Galbraith would research the contracts.

Tomi Huddleston, Human Resources Analyst I, would research the opt out option. Mayor Evans asked if terms and conditions could be adjusted main stream. Mr. Streichman believed the ratio could be changed by the Council any time.

Council Member Croy asked if employees and retirees have the same split. Council Member Croy felt the furlough day would make it harder to do business due to reduced staff.

Council Member Vogel believed furloughs were fair and asked Ms. Huddleston if the Town had a PPO. Ms. Huddleston replied yes and Council could revise the rates. There could be plan design revisions that could lower or increase plan designs benefits.

Council Member Wilson would like to know what department heads would prefer. Ms. Galbraith stated she had not talked to department heads. Council Member Wilson would like to know what department heads preferred first.

Council Member Croy asked Ms. Huddleston what was the Town's policy as to the number of years worked to be eligible for retirement. Ms. Huddleston replied an employee had to have worked for the Town a minimum of ten years to be eligible for retirement.

Mayor Evans asked if the Town took the loan would it put the budget back in the black. Ms. Galbraith explained the payment plan.

Council Member Croy felt Council was using the Water Department as a bank and

asked if the Water Department could borrow against the money. Council Member Croy was concerned the Water Department could come up short for the C.C. Cragin pipeline. Ms. Galbraith explained the money would be paid back in time. Mayor Evans stated if Council borrowed the money there had to be a plan to pay it back. Council could defer the payment for a year and the Town would pay higher interest then the money earned now. Ms. Galbraith felt that borrowing was not the optimal way to go. The loan had to be done by resolution and the Town could only borrow from the Water Department once.

Council Member Hughes was hesitant to borrow the money and did not feel there were any good signs that the economy would be better next year.

Council Member Vogel felt the Town did not have to spend the money if it did not need it and supported options a, b, c, d and e. Ms. Cribb calculated a one day furlough as a 5.77% reduction in pay on an annual basis. Council Member Vogel did not want the next Council to never give employees back lost pay and felt a furlough could be cancelled at any time.

Council Member Wilson suggested Council leave the numbers the way they were and create a spending plan.

Mayor Evans believed there was no support for option g which was across the board pay cuts. Vice-Mayor Blair agreed with that and options a b c and d. Mayor Evans felt the challenge for insurance was what does it do for the group the Town would be joining. Ms. Galbraith had just signed the resolution, but the group has not been put together yet. Vice-Mayor Blair suggested Council remove the \$10,000 and \$5,000 for Bonita Street and Mud Springs Road. Ms. Galbraith explained that money was not in the General Fund it was in the HURF fund. Vice-Mayor Blair was in favor of increasing the Humane Society payment to what it was last year.

Motion: to approve options c and d as adjustments and options a and b in a spending plan.

Moved by Council Member John Wilson. The motion did not receive a second and was lost.

Council Member Wilson withdrew the motion.

Motion: to approve options b, c and d; remove repayment of vehicle loan to the Water funds, move the Public Work's Director's salary/benefits to Water and take a \$1 million dollar loan from the Water Enterprise fund.

Moved by Council Member Mike Vogel, seconded by Council Member John Wilson.

Ms. Galbraith asked what Council wanted to do with the reclassifications. Council Member Wilson suggested putting them in the spending plan. Council Member Connell clarified the motion was b, c and d and asked about the insurance and if the furlough would be available. Council Member Wilson replied that would be part of the option in the spending plan.

Ms. Galbraith asked for clarification that if the motion passed and the Town took the million dollar loan and the furloughs when would she decide whether to use the

money or have staff take furloughs. Mayor Evans stated the Council would decide and furloughs would only be used if all other things collapsed.

Mayor Evans called for the vote.

Vote: Motion carried 7 - 0

Yes: Mayor Kenny Evans, Vice-Mayor Ed Blair, Council Member Mike Vogel, Council Member John Wilson, Council Member Richard Croy, Council Member Michael Hughes, and Council Member Su Connell.

Sam Streichman, Town Attorney, stated Crescent Resources L.L.C. had filed for bankruptcy. The Town had been sent an invitation to join the unsecured creditors list for approximately \$186,000. Mr. Streichman had contacted the trustee to ask if the Town could participate without going to Austin and was advised that government entities were not allowed to sit on the Board.

Motion: To authorize the Town of Payson to take any and all action necessary or appropriate to protect the Town's interests in the Crescent Resources L.L.C. (and related entities) bankruptcy proceedings.
Moved by Council Member John Wilson, seconded by Council Member Su Connell.

Vote: Motion carried 7 - 0

Yes: Mayor Kenny Evans, Vice-Mayor Ed Blair, Council Member Mike Vogel, Council Member John Wilson, Council Member Richard Croy, Council Member Michael Hughes, and Council Member Su Connell.

Ms. Galbraith thanked the Council for not hitting staff hard because of the budget.

ADJOURNMENT

Mayor Evans adjourned the meeting at approximately 4:12 p.m.

APPROVED:

_____ Date: _____

Kenny J. Evans, Mayor

ATTEST:

Silvia Smith, Town Clerk

Certification

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the special meeting of the Town Council of the Town of Payson held on this day the 18 of June, 2009. I further certify that the meeting was duly called and held and that a quorum was present.

DATED this ____ day of _____, 2009.

Tracie Bailey, Deputy Town Clerk

2009/2010 BUDGET CONCERNS

As it currently stands, the 2009/2010 budget for the General Fund shows an ending balance (this would be the balance in the General Fund on June 30, 2010) of **\$- 704,863**

1 CHANGES FROM THE LAST BUDGET WORK STUDY

At the last budget work-study meeting the General Fund had a balance of \$571,470. This included a \$500,000 loan from the Water Enterprise Funds.

Changes since then:	\$ 571,470
a) Cost of Retiree insurance (Town share) not budgeted	(296,900)
b) Increase cost of Retiree insurance (Town share) not budgeted	(59,300)
c) Percise calculation of increased employee insurance (Town share)	(263,900)
	<u>\$ (48,630)</u>

2 NEW DEVELOPMENTS

a) Removed \$500,000 loan from Water, to allow for a clearer picture of the issues.	(500,000)
b) According the League we will lose \$201,552 from VLT revenue (as the state budget stands now) ⁽¹⁾	(151,552)
c) Crescent Resources LLC bankruptcy. They would owe \$4,681 toward the debt service on the East Loop Rd Improvement District. If they do not pay in 2009/2010, the Town will need to pay their portion of the debt service. This will be a transfer from the General Fund.	(4,681)
	<u>\$ (704,863)</u>

⁽¹⁾ The League believes VLT will be reduced for Payson in the amount of \$201,552, based on the original revenue number of \$950,654. We had originally budgeted \$900,000, therefore our bugetary reduction is only \$151,552.

3 POSSIBLE BUDGET CHANGES

a) Humane Society funding increase to meet their request	(63,258)
b) Further cuts by the State to our revenue	unknown
c) Revenue cut due to possible impact fee 3 year moritorium (current state budget proposal)	(230,000)

3 POSSIBLE OPTIONS**(704,863)**

a) Remove Personnel adjustments		54,600
b) Remove repayment of vehicle loan to the Water Funds		35,000
c) Move Public Work Director's salary/benefits to Water		138,800
d) \$1 million dollar loan from the Water Enterprise Fund		1,000,000
e) 1 day a month furlough (ALL Depts)		464,672
	Depts EXCEPT Public Safety	246,442
f) 1 day every other month furlough (ALL Depts)		231,934
	Depts EXCEPT Public Safety	123,008
g) 2% across the board pay cut		161,065
3% across the board pay cut		241,597
4% across the board pay cut		322,130
5% across the board pay cut		402,662

Motion #2

I move to authorize the Town of Payson to take any and all actions necessary or appropriate to protect the Town's interests in the Crescent Resources, LLC (and related entities) bankruptcy proceedings.
