

**TOWN OF PAYSON  
TOWN COUNCIL MEETING  
MINUTES OF THE SPECIAL MEETING  
May 3, 2011**

**CALL TO ORDER**

Mayor Evans called the special meeting to order at approximately 4:00 p.m. in the Town Hall Council Chambers, 303 North Beeline Highway, Payson, Arizona.

**PRESENT:** Mayor Kenny Evans, Council Member Ed Blair, Council Member John Wilson, Council Member Richard Croy, Council Member Michael Hughes, Council Member Su Connell, and Council Member Fred Carpenter.

**STAFF PRESENT:** Debra Galbraith - Town Manager, Timothy Wright - Town Attorney, Silvia Smith - Town Clerk, LaRon Garrett - Public Works Director, Donald B. Engler - Police Chief, Martin deMasi - Fire Chief, Cameron Davis - Tourism/Economic Vitality Director, and Terry Morris - Library Director.

**OTHERS PRESENT:** Colin P. Walker - Water Superintendent, Ray Erlandsen - Community Development Director, Gaye Stidham - Deputy Town Clerk, Tomi Huddlestun - Human Resources Manager, Hope Cribb - Finance Manager, Curtis Ward - Assistant Town Engineer, Ray LaHaye - Chief Building Official, Battalion Chief Bramble, Nelson Beck - Parks Supervisor.

**PURPOSE OF MEETING**

1. Discussion/possible action re: Town of Payson FY 2011/2012 Budget. The Town Manager will be presenting several options and is seeking Council direction.  
Note: The following budget meetings are currently scheduled:  
May 10, 2011, Budget Meeting  
May 12, 2011, Departmental Presentations, Part 1  
May 17, 2011, Departmental Presentations, Part 2  
June 2, 2011, Adoption of Tentative Budget

Manager Galbraith explained that main issue impacting the General Fund this year, that is different from the three previous years, is the required transfer of funds from the General Fund to HURF, approximately \$488,000.

Ms. Galbraith continued explaining that State shared revenues are reduced as well as a decline in the sales and income tax revenues. All General Fund reserves have been depleted. Health insurance costs have risen by 7% and Crescent bond debt service has one more payment. There will need to be a \$67,500 transfer to cover park debt service, an increase in PSPRS contributions and in Worker's Compensation

Manager Galbraith reviewed the projected costs of operating Fire Station 13. The Fund Balance difference between having the station open (allowing for SAFER grant funding) is \$80,000. There was discussion concerning opening the station later in the fiscal year and paying for Hellsgate assistance quarterly. Manager Galbraith said she would work the Fire Station 13 budget again with this possibility.

Manager Galbraith explained that next year the projected impact fees won't be enough to make the debt payment. There will also be increases in the Town's contributions to PSPRS and Worker's Compensation.

The different scenarios for the operation of Fire Station 13 were discussed. With a skeleton crew of three at Station 13 there would be extra work on the existing fire stations, keeping them at skeleton crews also. If the SAFER grant is awarded (which does not look likely) it would pay the salaries of three firefighters for two years. After that, the Town would need to pick up the extra costs. Also, with Station #13 open, funds now used to pay Hellsgate Fire Department would not be necessary. Without the SAFER grant, the three firefighters would be scheduled using funds now paid to Hellsgate. If the grant is not awarded, it would take an additional \$105,000 besides the Hellsgate funds.

Manager Galbraith reviewed the State Shared Revenue history.

Fire Station 13 is the only new initiative in this budget. Comparing the options opening the station vs not manning the station, there is only an \$80,000 difference. For safety and insurance purposes, either Fire Station 13 will need to be open or the contract with Hellsgate will need to be continued.

Manager Galbraith believed our General Fund Reserve at \$192,000 would not work. She noted that the department budgets requested were less than any budget or actual expenditure of any year before. There is not much they are able to do with those budgets. The Budget Committee slashed the Fire Department Budget significantly.

Possible options that would impact the General Fund are to not make the water loan payment this year, reduce the amount in the pavement preservation program and/or require staff take one furlough day per month.

Vice-Mayor Hughes noted that hiring three new firemen and using battalion chiefs temporarily for the second person in the station would take significant reworking of personnel assignments. Manager Galbraith said this was not an ideal situation for our Fire Department.

Council Member Carpenter suggested not opening Station #13 until the SAFER grant was awarded. He asked whether Hellsgate would prorate their fee.

Fire Chief deMasi said he had conversations with Chief Hatch concerning these options. Their last conversation it was suggested the Town could pay \$150,000 for the whole year or \$50,000 quarterly. Chief deMasi was not hopeful that Payson would be awarded SAFER grant funds this year.

Council Member Carpenter was in favor of not making this year's repayment to the water fund. He also noted that this draft budget did not include any personnel increases, COLA, merit increases or PTO buy back.

Council Member Blair inquired about manning Fire Station 13 with Hellsgate personnel. Manager Galbraith and Attorney Wright put forward the legal difficulties

with such an option including gifting and liability.

Council Member Wilson asked about needed equipment for Fire Station 13. Manager Galbraith explained that bond money could be used for equipment but not personnel.

**Motion:** to Approve not opening Fire Station 13 in FY 2011/2012.  
Moved by Council Member Fred Carpenter, seconded by Council Member John Wilson.

Discussion: Council Member Wilson asked if the Town would need to turn down the SAFER grant if it was awarded and the Fire Station was not budgeted. It was noted that the SAFER grant funds would remain in the budget but nothing be done with them.

Council Member Carpenter withdrew his motion with agreement by Council Member Wilson as second.

**Motion:** to Approve not making a repayment of the water loan this year or next.  
Moved by Council Member Fred Carpenter, seconded by Council Member Ed Blair.

**Vote:** Motion carried 7 - 0

Yes: Mayor Kenny Evans, Council Member Ed Blair, Council Member John Wilson, Council Member Richard Croy, Council Member Michael Hughes, Council Member Su Connell, and Council Member Fred Carpenter.

**Motion:** to Approve reducing pavement preservation expenditure budget to \$50,000 next year. In the event things look better financially, LaRon Garrett will evaluate and see if more is possible.

Moved by Council Member Fred Carpenter, seconded by Council Member John Wilson.

**Vote:** Motion carried 7 - 0

Yes: Mayor Kenny Evans, Council Member Ed Blair, Council Member John Wilson, Council Member Richard Croy, Council Member Michael Hughes, Council Member Su Connell, and Council Member Fred Carpenter.

Council Member Blair stated he did not want to implement employee furloughs. He thought that should be an extreme last possibility. Manager Galbraith also suggested that Option C, employee furloughs, not be undertaken. Mayor Evans agreed, saying the last furloughs were implemented through the financial process and not part of the budget. If done in the budget process and economics changed, they would not be able to pay employees. He stated that furloughs were off the table for this process.

Vice-Mayor Hughes commented that no matter what we do with the budget, we are not out of the woods. We may have to come back and revisit cost cutting measures as part of the financial process in the future. Mayor Evans reported that a quarterly review with Council to review the financial statements and performance relative to

the budget and to look at trends will be part of this coming fiscal year.

Mayor Evans commended the Budget and Finance Committee for their time spent reviewing options. He expressed his appreciation to the Committee members, both Council and staff.

**ADJOURNMENT**

Mayor Evans adjourned the meeting at approximately 5:07 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 3 of May, 2011. I further certify that the meeting was duly called and held and that a quorum was present.

DATED this \_\_\_\_ day of \_\_\_\_\_, 2011.

\_\_\_\_\_

Gaye Stidham, Deputy Town Clerk

## TOWN OF PAYSON 2011/2012 BUDGET WORKSTUDY

May 3, 2012  
4:00 PM

- ### FY11/12 Budget Challenges for the General Fund
- ◆ Reduced state shared revenues
    - ◆ General Fund - \$ 216,875 less
    - ◆ HURF - \$184,310 less
  - ◆ HURF transfer - \$488,000
    - ◆ Normal occurrence in the past and will continue
  - ◆ Increased employee/retiree insurance costs (7%) - \$1,255,014
  - ◆ Crescent bankruptcy - \$14,100 transfer out

- ◆ Park Impact Fees can't cover debt service - \$67,500 transfer out
- ◆ Public Safety Personnel Retirement System (PSPRS) contribution increase - \$106,700
- ◆ Worker's Compensation rate increase - \$83,000

- ◆ Fire Station 13 operating costs
  - ◆ Draft Fire Department budgets were created with the station open and closed
  - ◆ The budget for the station open is a 'skeleton' budget
  - ◆ \$429,700 higher budget with the station open
    - ◆ \$353,200 is for the SAFER grant - this will not be spent unless the grant is received
    - ◆ \$105,500 without SAFER grant

### State Shared Revenue History (Budget)

	FY07/08	FY08/09	FY09/10	FY10/11	FY11/12
State Sales Tax	\$1,571,400	\$1,395,600	\$1,100,000	\$1,137,594	\$1,157,619
Income Tax	2,173,150	2,213,400	1,993,000	1,501,619	1,291,469
Vehicle License Tax	976,000	1,023,000	950,600	889,685	852,935
<b>TOTAL</b>	<b>\$4,720,550</b>	<b>\$4,634,000</b>	<b>\$4,043,600</b>	<b>\$3,548,898</b>	<b>\$3,332,023</b>
HURF	\$1,790,930	\$1,647,600	\$1,400,000	\$1,446,302	\$1,261,992
LTAF I&II	96,730	99,800	99,000	0	0
<b>TOTAL</b>	<b>\$1,887,660</b>	<b>\$1,747,100</b>	<b>\$1,499,000</b>	<b>\$1,446,302</b>	<b>\$1,261,992</b>

### State Shared Revenue History (Actual)

	FY07/08	FY08/09	FY09/10	FY10/11 (Projected)	FY11/12 (Proposed)
State Sales Tax	\$1,418,078	\$1,227,660	\$1,132,337	\$1,130,500	\$1,157,600
Income Tax	2,171,464	2,308,055	1,992,175	1,502,000	1,291,500
Vehicle License Tax	1,019,004	937,747	863,732	786,600	852,900
<b>TOTAL</b>	<b>\$4,602,546</b>	<b>\$4,473,462</b>	<b>\$3,988,244</b>	<b>\$3,419,100</b>	<b>\$3,332,000</b>
HURF	\$1,665,274	\$1,443,788	\$1,416,512	\$1,260,000	\$1,262,000
LTAF I&II	99,755	100,931	64,510	13,800	0
<b>TOTAL</b>	<b>\$1,765,029</b>	<b>\$1,544,719</b>	<b>\$1,481,022</b>	<b>\$1,273,800</b>	<b>\$1,262,000</b>

### HURF Transfers From General Fund

FY07/08	FY08/09	FY09/10	FY10/11 (Projected)	FY11/12 (Proposed)
\$810,179	\$0	\$0	\$0	\$489,000

- ◆ In past years there was always a transfer into the HURF fund from the General Fund.
- ◆ Annual transfers from the General Fund are necessary and will begin again starting with FY11/12.
- ◆ No transfers were needed in the past 3 years due to reductions in spending and using \$500,000 reserve discovered in FY08/09.

### Employee Insurance Cost Increase - General Fund

- ◆ In FY10/11 the Town joined a health insurance pool to lower the cost of the employee/retiree insurance coverage.
- ◆ FY11/12 sees a 7% rate increase for both employee and the Town.
- ◆ The Town's increased cost for the General Fund equals \$1,255,014

- ◆ In the FY10/11 budget most of the Town's insurance costs were paid from a different fund to expend fund balance acquired when the Town was self-insured.
- ◆ For FY11/12 the General Fund bears the additional costs (the 7% increase) and the Town's full share as it had in prior years.

### The Ending Fund Balance Issue Fire Station 13 is a new initiative

#### FIRE STATION 13 OPEN

Beginning Fund Balance	\$ 914,600
+ Revenues	13,646,200
- Expenditures	(13,346,224)
- Transfers Out	(1,099,000)
Ending Fund Balance	\$ 115,576

#### FIRE STATION 13 CLOSED

Beginning Fund Balance	\$ 914,600
+ Revenues	13,293,000
- Expenditures	(12,916,524)
- Transfers Out	(1,099,000)
Ending Fund Balance	\$ 192,076

### The Ending Fund Balance Issue

- ◆ General Fund Reserves Policy
- ◆ Financial Policy 101 states:
  - ◆ Base reserve amount should be 5% of the budgeted General Fund Revenue
  - ◆ For FY11/12, base should be: \$682,310
  - ◆ 90 days of prior-year operating expenditure amount should be added to the reserve each year
  - ◆ For FY11/12, reserve addition should be: \$432,000
- ◆ For FY11/12 the General Fund should have \$1,114,310 as an ending fund balance

### Options:

#### Any combination below

1. Open Fire station 13 AND do one or more of the following:
  - a) Do not make the Water loan payment for FY10/11 or FY11/12 (Savings of \$234,000)
  - b) Reduce Pavement Preservation expenditure budget to \$30,000 (per LaRon) (Savings of \$250,000)
  - c) Implement 1 furlough day a month (Savings of \$333,382)

2. Do not open Fire station 13 (Expenditure savings of \$429,700) and reduction in revenue of \$353,200
3. Any other ideas?