

**TOWN OF PAYSON
TOWN COUNCIL MEETING
MINUTES OF A WORKSTUDY MEETING
November 18, 2008**

CALL TO ORDER

PLEDGE OF ALLEGIANCE

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

STAFF PRESENT: Debra Galbraith - Town Manager, Sam Streichman - Town Attorney, Silvia Smith - Town Clerk, Douglas Hill - Chief Fiscal Officer, LaRon Garrett - Town Engineer, Colin P. Walker - Assistant Public Works Director, Rick Manchester - Parks & Recreation Director, Marti deMasi - Fire Chief, Don Engler - Police Chief, Terry Morris - Library Director, and Cameron Davis - OETV.

OTHERS PRESENT: Tim Wright, Deputy Town Attorney; Gaye Stidham, Deputy Town Clerk; Diane Stoyer, Legal Department Office Manager; Charlene Hunt, Events/Facilities Specialist; Debra Rose, Aquatics/Special Events Coordinator; Mary McMullen, Trails/Outdoor Coordinator; Hope Cribb, Budget Analyst I; Ray Erlandsen, Zoning Administrator; Tony Creasy, Streets Department; Wes Chapman, Streets Department; Larry Perna, Streets Department; Debbie Dawson, Executive Assistant; Sgt. Matt VanCamp; Sgt. Mike Varga; Toni Balestrere, Paralegal II.

PURPOSE OF WORK STUDY: Discussion re: FY 2008/2009 Budget including, but not limited to:

1. Status of Revenue/Spending
2. Projected Revenue Estimate
3. Proposed Spending Options/Plans

Mayor Evans opened meeting asking Town Manager Debra Galbraith to explain the need for this discussion. Ms. Galbraith distributed the packet explaining the current status of

the Town's revenues and spending. She explained that the original expenditures adopted in the budget needed to be adjusted as revenues were not as projected. The focus of adjustments would be from the General Fund because it is the discretionary fund for the Town and the fund that needs a good carry forward reserve for emergencies and solvency. Ms. Galbraith said the General Fund revenue is projected to be down about 10% from budget. She presented two spending plans to get the Town through the fiscal year. Of the 7 spending plans that Ms. Galbraith and CFO Doug Hill considered, these 2 plans appeared the most viable. Both plans included going to a 4 day -10 hour work week, not funding the PREDC, a hiring freeze, termination of all part-time and seasonal employees, slight reduction in Parks & Recreation programs, not going forward with utility billing software and a reduction in supplies. Plan B incorporated the layoff of 6 employees in 4 departments. Ms. Galbraith said she had not spoken to employees or departments but, if this option was chosen, she would do so on Friday morning. Plan C incorporated a loan from the Water Department that would have to be repayed. Neither program guaranteed there would be no future layoffs.

Council Member Blair asked Ms. Galbraith to verify that any savings from layoffs or loan would be from January through June. She verified that he was correct.

Council Member Vogel asked if the borrowing of money to balance the budget was legal. Mayor Evans responded that the issue was not the budget but how to match revenues to projected expenses. This can be met by a loan but another source of revenue could not be created to meet the shortfall.

Council Member Hughes noted that neither plan guaranteed no further layoffs but there would be a difference in the new budget year in the cost savings from reduced personnel expenses.

Council Member Blair asked for examples of part-time and seasonal employee positions that would be terminated. Ms. Galbraith said that referees, umpires, score keepers, and event center activity staff would fall into that category. Rick Manchester, Parks and Recreation Director, added that he currently has 10 full-time employees. Part-time and seasonal positions constitute more than 6 more full-time employees. The Event Center would need to rely on full-time staff and volunteers to run Event Center activities.

Clmn. Vogel asked if there were people close to retirement where their time could be bought out. Ms. Galbraith said there were 2 people with the Fire Department and 1 with the Water Department that she was aware were close to retirement. It is hard to estimate who might be eligible and the State Retirement System did not disclose that information. Clmn. Vogel asked if a memo could be distributed asking if an employee would like to retire early. Ms. Galbraith replied that a similar memo had been distributed earlier and

although some people were eligible to retire, they did not want to do it now. She said that offering a "buy out" for early retirement would require funds to do so. She did not believe that the Arizona State Retirement System would assist the Town in any way with such a proposal. Clmn. Wilson thought that employees might not respond because of the fear of layoffs. Clmn. Blair asked Ms. Galbraith to repeat what those leaving Town employment would be eligible for. Ms. Galbraith said that Town policy was any employee leaving Town employment was eligible to be paid for all vacation time not used at their hourly rate of pay and 1/2 of the sick time not used be paid at their hourly rate.

Mayor Evans said the 2 plans proposed were 2 out of 7 that were worked out. He asked if there could be a combination of plans also. Ms. Galbraith replied that yes, that could be done as these were her best estimates to keep from deficit spending. She said that layoffs would hurt some departments and this will be a very difficult rest of the year. Mayor Evans pointed out that laid off part-time employees would not be making money so they would not be spending money in Town, decreasing tax revenue. He believed the Council needed to look at all the options.

Vice-Mayor Connell said that the State government was short funds and that is expected to continue. She believed it would be multiple years to return to normal. She voiced her concern about taking money from 1 pocket to put in another. Clmn. Croy agreed that it was not prudent to borrow ourselves out of debt as were limited to how we can raise money.

Mayor Evans stated that decisions needed to be made to give direction for the future. This is an attempt is to get ahead of the curve and anticipate how bad things are and what the impacts will be. As part of the League of Cities and Towns, a special action against the State of Arizona has been filed to protect towns' funding from the State. He suggested we need to roll up our sleeves and look at what we can do to make this process a little less painful.

Vice-Mayor Connell suggested reviewing other communities' websites. She pointed out the Governor's website where citizens could input cost saving ideas and opportunities.

Clmn. Wilson noted the 2 non-profit, volunteer organizations that assist Town departments; Friends of Parks and Recreation and Library Friends. The Friends of Parks and Recreation are using money from their revenue funds to help Parks and Recreation Programs. He suggested a fund within that organization could also help with the trails system needs, take donations to fund keeping the pool open or help fund part-time recreation employees. Donations would be tax deductible. Vice-Mayor Connell challenged other service organizations to offer ideas in areas of shortfalls where we could use volunteers. Clmn. Hughes added that the community helping out is what is needed.

He said that we need everyone's opinion. He asked what the projected repayment schedule and any interest would be if Plan 3C were implemented. Mayor Evans directed him to the printed repayment schedule contained in the Plan 3C packet.

Manager Galbraith explained that the proposed loan of \$300,000 had repayment schedules figured for 2 years, 3 years and 5 years estimating a 2% interest rate. Because this \$300,000 would have been invested in the State pool during this time and accruing interest, that interest would need to be paid back. Clmn. Blair said that this loan is really \$300,000 we're spending. Instead of starting with a revenue next year of \$13 million, we would start with \$12,700,000, leaving less money to spend next year. Mayor Evans explained that repayments of the loan would be spread over time and would not, therefore, effect the \$13 million directly. He said that about \$100,000 plus interest would be paid back annually. Clmn. Blair made the comparison with a family member who is deep in debt with credit cards saying that the monthly payment may seem small, but reality the is that you owe the whole amount.

Manager Galbraith explained that the \$300,000 proposed for the loan is budgeted for an expenditure within the water fund. This loan would keep us within the spending limit of the budget submitted to the State of Arizona. As an example of how the budget works, she cited that if we were to require another \$200,000, it would need to come from some other line item within the water fund. She pointed out that the \$300,000 was all that was available to spend and there is no other funding without cutting something else.

Clmn. Wilson asked if this loan would be an outflow that is going against the funding the budget. Manager Galbraith agreed.

Clmn. Croy commended Manager Galbraith's efforts in providing information to the Council. He said if revenue did not continue as projected and expenses continue, even with this adjustment from either option, our problem would still not be solved.

Manager Galbraith noted that some revenues are seasonal meaning that major portions of them are received at certain times of the year or none at other times.

Mayor Evans said that the budget was reduced by 10% lower than the adopted budget at the onset but these cuts add about another 17%.

Clmn. Blair suggested that \$4,000 could be saved by only sending the Mayor to the League of Cities and Towns conference. Mayor Evans noted that this last year attendance by the Council was mandated.

Manager Galbraith said that staff has been aware of this for a long time and are doing all they can. They have already cut spending dramatically. Mayor Evans said that in the 27% cut in spending, the \$200,000 in salary savings with the proposed layoffs is the last bit to be wrung out of the budget.

Mayor Evans asked if the property tax numbers coming to the Town slowly was the result of the billing going out late. Manager Galbraith said that they had a new computer program that malfunctioned. She noted that property tax was seasonal revenue. Mayor Evans said his reason for asking was that even though the Town's portion was very small, the total tax was up substantially because of the mandatory re-evaluation of local homes. He asked if the budgeted revenue from property taxes being small was because we did not know exactly how much would be forthcoming. Manager Galbraith and CFO Doug Hill answered that there was a certain levy limit and even maxing the levy would only produce a few thousand dollars more.

Clmn. Wilson said he had looked into the feeling of the community in raising property taxes. He said there was an uproar concerning the possibility with those he talked with and that any raise would bring a miniscule amount in revenue to the Town.

Manager Galbraith noted that the secondary portion of the Town's levy on property was lowered this year. Mayor Evans asked that if the property taxes for Northern Gila County went up by about 25% why would we only be getting about \$100,000 more in revenues. Manager Galbraith said they can only get what they have asked to be levied.

Vice-Mayor Connell said that any decision made was not a personal decision from Manager Galbraith, CFO Hill or the Council but a business decision. She believed from an accounting standpoint, spending plan 3.B was a solid and good choice.

Clmn. Wilson said he made an analysis of the last 8 years of sales tax revenues and how they came in month by month. He said it turns out that the first 3 months of the fiscal year generally had higher revenues than during the subsequent months.

Mayor Evans said that the suggestion is not that the Town's bank account is at zero. There is \$10 to \$12.5 million available, but this is a complicated budget with funds that have statutory limits. He said that one savings option was Taylor Pool. He asked why the pool had not been addressed. Manager Galbraith answered that all things were open for discussion, but she had not listed it because the spending for the pool straddles the fiscal year. Most of the spending has already happened last summer and there will only be 1 month of spending in the rest of the fiscal year. There would be limited savings available in just 1 month. She explained that even if the pool were closed, there were expenses in maintaining it. Rick Manchester, Parks & Recreation Director, answered the Council's questions pertaining to the cost of the pool. He said that he did not have the number, but he calculated that in the off-season costs would be about \$2,000 a month. He said the cost is pretty much absorbed in the maintenance crews. Manager Galbraith said the month of October pool costs were \$1,200. She said we could look at cutting "soft-services" but it would not be enough to off-set layoffs.

Mayor Evans asked Mr. Manchester if he had \$120,000 to keep the pool open or use it to

keep other recreation programs going, which would he choose. Mr. Manchester said he would like to come up with a combination as there were ways to cut costs in both categories. He said that adult programs do not cover the cost of providing the programs, but youth programs do. He said he would like to have a chance to work out a combination that would involve the Parks & Recreation Board and his staff. He felt there were things they could do to maintain a minimum of service level and meet expectations of the public without really wiping out all the seasonal staff and/or closing the pool. He said to give them 3 days and they could do that.

Clmn. Blair asked if there would be counseling available to help those who would be laid off. Manager Galbraith said that it could be looked at and to consider the cost and where that would come from.

Clmn. Vogel gave an invitation to any employee to come forward with suggestions to cut costs. He said to call him or contact a department head. Clmn. Wilson said he shouldered responsibility for these difficult times because of his budget vote with the previous Council.

Mayor Evans said that the lack of carryover funds from year to year made their job more difficult. He noted the difficult times in Northern Arizona with many, many others losing jobs besides those proposed from the Town.

Manager Galbraith asked if the Council would like these or some other plans brought forward to make a decision at the November 20, 2008 Council meeting or to wait. Clmn. Wilson said to go forward with what we have, realizing that in the future we may have to do another adjustment.

Clmn. Vogel asked Manager Galbraith, from an accounting stand point, which plan she believed would work. Manager Galbraith answered that neither would be her choice. However, from an accounting standpoint, she would have to choose the plan that included layoffs.

ADJOURNMENT

The workstudy adjourned at approximately 6:27 p.m.

APPROVED:

_____ Date: _____

Kenny J. Evans, Mayor

ATTEST:

Budget

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 November, 2008. I further certify that the meeting was duly called and held and that a quorum was present.

DATED this ____ day of _____, 2008.

Gaye Stidham, City Clerk