

MINUTES OF THE SPECIAL MEETING OF THE TOWN COUNCIL OF THE TOWN OF PINETOP-LAKESIDE, ARIZONA, HELD MAY 9, 2011 AT 6:00 P.M. IN THE TOWN COUNCIL CHAMBERS.

Mayor Smith called the Special Meeting to order at 6:02 p.m. Roll call was taken as follows:

<u>ROLL CALL:</u>	<u>Present</u>	<u>Absent</u>		<u>Present</u>	<u>Absent</u>
Mayor Luke Smith	<u>X</u>	<u> </u>	Stephanie Irwin	<u>X</u>	<u> </u>
Vice Mayor Rich Crockett	<u>X</u>	<u> </u>	Kim Webb	<u> </u>	<u>X</u>
Norris Dodd	<u>X</u>	<u> </u>	Leslee Wessel	<u>X</u>	<u> </u>
Dennis Hughes	<u>X</u>	<u> </u>			

STAFF PRESENT:

Kelly Udall, Town Manager; W. Kent Foree, Town Attorney; Lu Anne Frost, Town Clerk; Tom Thomas, Public Works Director; Paul Esparza, Community Development Director; Kent Brooksby, Finance Director; Woody Eldredge, Chief of Police; John Vuolo, Parks & Recreation Director; and Mary French-Jones, Grant Coordinator.

ITEM NO. 2, TOWN OF PINETOP-LAKESIDE PRELIMINARY BUDGET FOR FY 2011-2012. THIS SESSION WILL FOCUS ON THE GENERAL FUND; HOWEVER, THE COUNCIL MAY DISCUSS ALL OTHER PARTS OF THE BUDGET:

Kelly Udall stated this was an interesting budget year, and said they still do not have a balanced budget. He stated the Town recently received information on increases from the health care provider and the Public Safety Retirement System. He said they must find \$30,000 to balance the budget. He said other than that they feel comfortable with the budget. He stated they would also discuss the Strategic Management Plan, and how it relates to the budget. He said the reserves are higher than they have been in about 2½ years, and said this year’s budget would end up in the black, with an approximate \$40,000 carry forward. He said the employees would be seeing increases from the ASRS, PSPRS, and the health insurance. He said this budget is as good as can be done administratively, and said it is now the Council’s budget.

Kent Brooksby stated the budget is still in flux. He said they had a balanced budget at the time the packets were prepared, but said they then received additional information they would discuss this evening. He said, as far as possible, the items in the budget were reconciled to the Strategic Management Plan. He stated most of the Strategic Management Plan is in the form of staff directives rather than specific funding, but said they tied it to as much as they could. He said they are budgeting revenues up next year by 2.7%. He said state shared revenues would be down, and said state income tax would be down because the statewide income tax collections overall are down. He stated the state projects sales tax revenues would be up 4%. He stated the total general fund revenues show an increase of \$68,770 over this year. He said the general fund expenditures are up 3.1% due to some of the benefit changes. He stated they are still uncertain about the health insurance costs, fuel prices, the overall state of the economy, ASRS and PSPRS contribution rates, and the environmental impact study. He stated initially, they budgeted a 9% increase in the health insurance premiums, based on the preliminary information from the insurance carrier. He said they then learned the provisions of the Patient Protection and

Affordable Care Act, that Congress passed last year, prohibited the Town from renewing the health insurance plan, and said they must go to a more expensive plan. He said the health insurance might cost some employees as much as a \$100 per paycheck increase. He said those in the PPO would see the greatest increase, and said it would change the Town funding to the HSA. He said in the budget they reduced the HSA contribution by \$100, but said it could be decreased even more. He said they do not know about fuel prices, and said the the unemployment rate is up. He said they have revised the ASRS contribution rates, and said the employees would pick up a larger share. He said the Town's portion also increased. He said the PSPRS would see a 1% increase to the employees, plus a 2½% increase to the Town. He said personnel costs are the greatest single expense; and said when they raise the rates of mandatory contributions it impacts the employees heavily. He said, in addition, the salaries are at the 2008-09 budget levels. He said it would cost the employees more to work for the Town than it used to. He stated they would know by the end of month if the Town has to pay for an Environmental Assessment on Woodland Lake Park, and said if the Town does not have to pay for it, that would balance the budget. He said if they have to pay for the EA, he said they would have to find other ways to solve the shortfall. Mr. Udall stated the Town has already been expended some money on the EA. He said next year's budget includes \$49,730, which is the remainder of what has not been expended for the EA with TEC, as well as \$44,861 that would be required if they need to go to a full EIS. He said they would not know until the end of this month; but said they would have an answer before the Council approves the budget. He stated they have also budgeted for the Forest Service collection agreement of \$12,480, but said they have also paid them some already. Councilmember Dodd asked if the contributions from Save Our Park and White Mountain Land Trust have been included. Mr. Udall stated those are included in the revenue portion. Councilmember Wessel asked if those are accurate figures or estimates. Mr. Udall stated those are accurate numbers as contained in the agreement. Councilmember Dodd stated they would know after the public meeting on May 18, and said if no major issues came up, that is how they would weigh the need for an EIS. He said they do not expect it. Mr. Brooksby stated projecting revenues has been a huge job, and said they feel they have a good estimate.

Mr. Udall stated they tried to put as much money as they could into general contingency, which he said is a lot more than in the current budget. He said it includes \$7,500 for a special election in August; \$7,000 for the Yellow Jacket Youth Center Agreement; and \$10,000 associated with a Strategic Management element identified as the Show Low Irrigation District, but said it could be used for many different purposes. He said, under Goal Number 5 of the Strategic Management Plan, the action step identifies ways to work with appropriate entities on management and protection of surface water flows, riparian habitat, and water levels in Woodland Lake. He said they put \$10,000 in the budget to advance those efforts. He then went through the Strategic Management Plan, and said most of the steps would not require funding. He stated in order to market the 20 acres on Woodland Road; they might have to find something in the budget, but said if it requires funding, they would look at using proceeds from the sale of the 10 acres. He said Goal Number 3 has a number of items. He said they would look for a grant to use for action step 1. He said they would discuss action step 2 at the next budget meeting, and said funding would come from HURF. He said they would have to find funding for action step 3. Vice Mayor Crockett asked if action steps 1 and 3 could be included for grant funding. Mr. Udall stated no, the first would be a site plan by an architect, and said the third one would be an assessment from a state agency to assess the building's health. Mayor Smith stated a company approached the school about energy efficiency, and said he thought maybe they could join forces. Mr. Udall stated action step 3 of Goal Number 4 directs the pursuit of funding for

traffic and pedestrian safety issues as identified in the Planning Assistance Rural Area Study. He stated staff brought a great grant opportunity to the Council, but said it did not get funded, and they did not do the project. He said they are looking at the same type of scenario, and said they would try to advance it with grants. He said if they could not find the grants, this would be put on hold for another year. He said they would discuss action step 4 with HURF funding. He said they have about \$9,000 or \$10,000 available to expend to advance the concept of action step 2 of Goal Number 5. He said funding for action steps 1 and 2 of Goal Number 6 have been budgeted. He said he believes those items from the Strategic Management Plan would require funding.

Mr. Brooksby stated they budgeted tax revenue up 3%, licenses and permits down 2%, intergovernmental revenues flat, and said fees for services, such as participation in park events, have been budgeted to more closely resemble this year's actual activity. He said 72% of the general fund revenues come from sales tax, and 15% from state shared income tax and state shared sales tax. He said state shared income tax is provided to the cities and towns two years after collection by the state, and said they know exactly what the revenues would be next year. He stated that is based on census numbers, and said since the census came in with 500 people less than the state projected last year, the Town's portion of state shared revenue would be significantly decreased over the next few years. He stated the operational costs, other than personnel, are down 7% from last year. He stated contracted services are down 20% from last year. He said they eliminated the forester position in 2010-11. He said they modified the Wildfire Prevention Program, and said they do more in-house. He said they decreased outside legal services. He stated they terminated funding for Main Street, and said they have reduced the funding for the Chamber Visitor's Center by 36%. He stated any other significant cuts to the budget would affect personnel. He said the ASRS contribution rate is increased from 9.85% to 10.75%, and said PSPRS is going up from 22.6% to 25.7%. He stated historically the Town has covered 100% of the health insurance costs for the employees that have employee only coverage, and split the increased premiums 50/50 with the employees who have dependent coverage. He said this year, under the provisions of Obama Care, employees are required to pay at least 1% of the premium, or the Town would receive a fine. Mr. Udall stated there are no layoffs or furloughs projected; and said they plan to maintain the current staff. He stated they are not looking at any reductions in force.

Mr. Brooksby stated they reduced the Chamber of Commerce funding by 36%, from \$46,750 to \$30,000. Mr. Udall stated they had to look at all outside services, and said, in addition to what they are proposing; they had to eliminate funding for the Main Street program. He said they had an opportunity to sit down with the Chamber Board to discuss the impact the reduction would have on the Visitor's Center portion of what they do for the Town. He stated they are looking forward to implementing the new group sales program approved at the last Council meeting. He said the Advertising & Promotion Committee has budgeted \$15,000 for the program, and said this budget includes \$2,000 from the Town. He said they are hopeful other businesses would join in; and said it is somewhat linked with the Chamber of Commerce. Beverly Stepp stated they have existed for the past two years with a 15% cut. She said they also made cuts, and said if they are budgeted at \$30,000, it would mean taking days off and changing how they operate the Visitor's Center for people who walk in, but said group sales is to actually put people together with the businesses. She stated they have not increased fees to festivals in several years; but said it would necessitate either changing the festival venue, or scaling them back. She said it does not include advertising or what they can beg, borrow, or steal. She stated their economic base is tourism, and said they need the people here. She stated they have started new programs such as

PLAN, business seminars, and the A Team of business owners. She said the Chamber and Visitor's Center work hand in hand. She said the decrease would affect them, and said they would have to look at what they can, and cannot do. Councilmember Hughes asked if membership is up or down. Ms. Stepp stated membership is up.

Mr. Brooksby stated public safety accounts for about 40% of the total general fund budget, and said it is a mandated service. He said the next largest portion is interfund transfers to pay for existing debt service, the bus system, and park operations in excess of what the restaurant and bar tax provides. He said in another two years, the Town would have one of the long-term debts paid off, and said it would free up about \$186,000 per year. He said 63% goes to personnel, 15% for operations, 1% for equipment; 1% for contracted services; and 11% for interfund transfers. Councilmember Hughes confirmed ASRS and PSPRS are out of the Town's control.

Mr. Udall stated every department worked hard on the budget. He said the Department Directors zeroed in on what was important, what services are provided, and how to provide them. He said there are only slight increases due to the things Mr. Brooksby mentioned. He said almost every category is down from last year's budget. He said he was excited about what was packed in to those budgets. He said they came forward with projects that must be done within the next year. He said, as they get in to the Capital Budget, they would see the use of impact fee money to advance those items. Councilmember Hughes clarified the Town is \$684,000 under budget. Mr. Brooksby stated that is a projection, which might change as invoices come in he was not aware of.

Vice Mayor Crockett asked about grant matches. Mr. Brooksby stated there is nothing budgeted for grant matches. He said, for grants budgeted next year, anything the Town would contribute would be done as in-kind. Mr. Udall confirmed there would be no cash match, and said the grants would be 100% funded or in-kind. Mary French-Jones stated they could look for partnerships, and said it makes them more competitive. Mr. Brooksby stated if a cash match was required, they could pull funding from general contingency.

Councilmember Dodd asked if they have a figure of what the net impact, in terms of health care and retirement, would be to the employees. Mr. Brooksby stated the largest variable is what type of health insurance they have. He said if they have employee only coverage, the insurance would increase \$44, and said the ASRS increase depends on their salary. He said if they have dependent health insurance coverage the out-of-pocket expense would be considerably more. Councilmember Hughes asked if they are confident about the increase in HURF. Mr. Brooksby stated the state provides the number, and said the Town's historically receives about 85% of that amount, so that is what they budget.

Councilmember Wessel asked about the \$30,000 shortfall and asked if it was general fund dollars. Mr. Brooksby confirmed. Mr. Udall stated his plan is that if the Town does not need to do the EIS at \$44,000, he would take that \$44,000 to balance the budget and the rest would be put into contingency. He said, otherwise, they would bring a solution to the Council. Councilmember Irwin asked what the carryover from this year would be. Mr. Udall stated they have programmed \$42,750 into this budget, and said that money would roll into reserves to build the reserves, or said it could be used to balance the budget. Councilmember Dodd stated if they do not have to pay for the EIS, he would like to see that money be split between the Chamber and evaluate what they could do to hold the employees to salaries at the current level with the

retirement impact. Vice Mayor Crockett stated the Chamber Board was still very upbeat after the meeting, and said they would figure out how to do it.

Mr. Brooksby stated Special Funds are funded by dedicated revenue streams, such as the restaurant and bar tax, the HURF funds, vehicle license taxes, and transfers from the General Fund. He said they try to budget for grants they feel they would receive. He stated the street fund is down 3%. He stated the legislature swept all LTAF money in the current fiscal year budget, and said they are not giving any this year either. He stated there are no funds available to make transfers from the general fund to street and roads. Mr. Udall stated they fund the Four Seasons Connection, but said the bus to Holbrook is paid for by Navajo County. He said the hotel taxes fluctuate wildly, and said there is no way of predicting the revenue, so he budgeted it down 3%. He also said the restaurant and bar taxes were down 1½ % as of the end of March. He stated almost every capital project or equipment purchase next year would involve impact fees, and said if all capital items were approved, it would use 57% of the impact fee fund balance. Councilmember Irwin asked about advertising on the buses, and if they are doing anything to sell those ads. John Vuolo stated they have sent out information and provided a packet to those individuals interested, but said they are not going out to sell advertising. Mr. Brooksby stated the Town has \$328,000 in impact fees; and said if all capital items in the CIP were approved, they would spend \$209,630. He said it might be a good idea to spend the money before the legislature gets their hands on it. Mr. Udall stated there is a lease program that would allow the Town to lease three vehicles, instead of just purchasing one. He said it would be a 3-year commitment. Councilmember Wessel asked about an increase in price. Mr. Udall stated there might be a slight increase. Chief Eldredge stated the benefit is they get three vehicles, with all of the emergency equipment, and prisoner seats. He said they would be 4-wheel drive Tahoes, and said the interest rate is low.

Tom Thomas stated they have at least two road rehab projects slated for next year, Pino Ridge and Blue Grass Ranch Road. He said they have to replace Pino Ridge because of the damage, but said because of money saved up by not doing projects; it gave them a little money to do a project. He stated they plan to work on McCoy Lane, put a double slurry seal on Niels Hansen, and fogseal Church Lane at the Lakeside Post Office. He said they would like to do more, but said this is the best progress at this point.

Mr. Udall stated tonight's discussion provided a good look at the general and special funds; and said they have yet to look at capital. He stated staff would provide any additional material the Council would request. He said they plan to start the next meeting with a general discussion and summary, but said they would spend the bulk of the time on capital. It was decided to cancel the meeting scheduled for May 16, and have the next budget meeting on May 23.

The Special Meeting adjourned at 7:39 p.m.

Dated this 16th day of May 2011.

PINETOP-LAKESIDE TOWN COUNCIL

/s/ Lu Anne Frost, Town Clerk