

MINUTES OF THE WORK SESSION OF THE TOWN COUNCIL OF THE TOWN OF PINETOP-LAKESIDE, ARIZONA, HELD NOVEMBER 19, 2009 AT 6:30 P.M. IN THE TOWN COUNCIL CHAMBERS.

Mayor Smith called the Work Session to order at 6:30 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> | _____ | Stephanie Irwin | <u>X</u> | _____ |
| Vice Mayor Rich Crockett | <u>X</u> | _____ | Kim Webb | <u>X</u> | _____ |
| Woody Biscoe | <u>X</u> | _____ | Leslee Wessel | <u>X</u> | _____ |
| Norris Dodd | <u>X</u> | _____ | | | |

STAFF PRESENT:

L. Kelly Udall, Town Manager; Rosemary Rosales, Town Attorney; Lu Anne Frost, Town Clerk; Susan Stein, Deputy Town Clerk; J. Kent Brooksby, Finance Director; Paul Esparza, Community Development Director; Mary French-Jones, Grant Coordinator; and Sherwood Eldredge, Chief of Police.

ITEM NO. 6, PRESENTATION ON THE WOODLAND LAKE PARK FINANCIAL PLAN BY J. KENT BROOKSBY, TOWN FINANCE DIRECTOR:

Kent Brooksby stated the acquisition of Woodland Lake Park has been a long-term goal of the Town and said many people want the Town to proceed immediately with this acquisition. He stated the Town's cash reserves are nearly depleted and said revenues are low. He said the Town currently does not have any money. He stated the Town can borrow 20% of the assessed value per the law; and said the maximum borrowing capacity is approximately \$13 million. He said they are setting aside \$39,000 per month to manage the current debt service. He said if the Town borrowed money at this time, it would more than double the debt service; and added the Town does not currently have that capacity. He stated it would cost approximately \$47,500 per month to pay a \$7 million bond; and said this would keep the Town from borrowing additional money for other expenditures, such as road maintenance. He said the Legislative Budget Committee is projecting the economy should be back to the 2004-2005 revenue streams by 2014. He stated the Town's current debt would be paid by June 2014, and recommended the purchase of the Park be held off until that time. He said the Town relies entirely on sales tax revenues, which are down. He said things are tough right now, but said the economy will recover at some point. He said the Finance Department's recommendation is to wait until 2014 to incur any debt for the purchase of the Park or any other expenditure. Mr. Brooksby went over the charts contained in the packet. He stated revenues peak in August, but said this year was the lowest it has been for a few years. He said restaurant tax collections have been in place for about five years. Vice Mayor Crockett asked how much the Town is down this year compared to last year. Mr. Brooksby stated the Town is down \$54,000 this year to date, but said this number could change once the sales tax figures for October come in. He said the Town budgeted very carefully this year, but said revenues are still coming in lower than projected. Vice Mayor Crockett asked if 2006 was the best year. Mr. Brooksby stated it was 2007-2008. Vice Mayor Crockett asked, with those numbers, would the Town have the capability to repay additional debt. Mr. Brooksby stated if the current debt was gone and if revenues were at that level, the Town would have the capacity

to repay additional debt at that time. Councilman Dodd asked if that was with or without a raise in sales tax. He said they would have to generate new revenue. He stated a strategy was put forth in the Task Force resolution, showing a .04% increase in sales tax. He said the purchase is possible with that increase at current revenues. He said the price for the Park is now \$6.1 million, down from \$7 million. He said there would be impacts. He stated one impact of raising the sales tax now would force more retail businesses to Show Low and said they do not want that to happen in this economy. He said another concern is whether the Town could cover the obligation for the bond if revenues keep dropping. He said it is a matter of timing. He said they have the wherewithal to do it, but said they have to look at the big picture and the financial health of the Town. Vice Mayor Crockett stated if the Town experiences a similar situation 8-10 years out, the sales tax increase would not bring in enough revenue to cover that debt. Mr. Brooksby stated revenues are coming in at 2.9 instead of the 3.1 they projected. Vice Mayor Crockett stated bond costs would be on top of the \$6.1 million. Mr. Brooksby stated they would bond through the Greater Arizona Development Authority (GADA) and the costs would be fairly low. Kelly Udall stated Councilman Dodd mentioned the concept of timing, which is very important. He added it is not a concept of desire, but a concept of timing. He said trending requires looking at history, and said the accuracy of history is what helps trend for accuracy in the future. He said there is no history with what is going on right now, and said it is difficult to project and trend where they are going. He said the Town is trying to project future revenues to allow coverage of additional debt and said that is difficult to trend. He said they need more time to climb out of this economic situation. He said the State has not decided what they are going to do with State shared revenue, which the Town relies upon. He said the situation is dependent on the local economy, as well as the State's decisions. He said the revenue sources the Town relies heavily upon are dependent on the State's decisions. He reiterated that timing is an issue. He said the best advice staff can provide is that it is best to hold off until the Town can get their arms around the evolving issues.

Councilwoman Wessel asked if they could look again at a property tax and asked what impact property tax, in addition to sales tax, would have on the local businesses. She said it is time to look at a more stable revenue stream coming in and said she thinks it is also time to look at a property tax as an alternative to purchase the Park. Mayor Smith stated it is an action step in the Strategic Management Plan. Councilman Dodd stated the Woodland Lake Park Task Force looked at a property tax. He said the Task Force also looked at a sales tax to pay for the Park, which would spread the impact across all users; whereas a property tax would only affect residents because others would not be contributing to the purchase of the Park. He said only 15% of sales tax revenue comes from the residents. He said when they looked at a property tax, they looked at residential only; but said local businesses would get hit with a 22% property tax. Mr. Brooksby stated a property tax becomes a fixed cost for the people to do business in the Town.

Councilman Biscoe stated he cannot believe they are looking at purchasing the Park when the economy is the worst in history. He added the Town may have to initiate a sales tax increase just to keep it functioning. He said this is the wrong time to do this. He said every business in Town is hanging by a thread; and added businesses have been lost as they just do not have the traffic. Councilman Dodd stated there is a reason they are talking about this because the Town has been working on this for 23 years. He added the Task Force's efforts and strategy peaked just before the economy declined. He said some citizens have expectations and said the Town needs to show their commitment. Mayor Smith stated he has always thought it was imperative to keep

their eye on the ball as much as possible and said they still have a future to look toward. He stressed the need to focus on things that will be important for decades and not just what is important for the short term. He said if they only look at the problems in front of their face, they will not accomplish much and said the acquisition of the Park would be one of the biggest things to date. He said if they only look at the negative side of the ledger, it will always contain things there is not enough money to pay for. Mr. Brooksby stated the financial analysis report is posted on the Town's website.

The Work Session was adjourned at 6:59 p.m.

Dated this 24th day of November 2009.

PINETOP-LAKESIDE TOWN COUNCIL

/s/ Lu Anne Frost, Town Clerk