

MINUTES OF THE WORK SESSION OF THE TOWN COUNCIL OF THE TOWN OF PINETOP-LAKESIDE, ARIZONA, HELD DECEMBER 3, 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; Tom Thomas, Public Works Director; Mary French-Jones, Grant Coordinator; and Sherwood Eldredge, Chief of Police.

ITEM NO. 6, PRESENTATION ON TOWN BUDGET BY J. KENT BROOKSBY, TOWN FINANCE DIRECTOR:

Kent Brooksby stated the Town is required by Code to provide periodic updates to the Council. He stated revenues are down \$190,000 from this point last year, but said they are down only \$92,000 from the “bare bones” numbers budgeted. He stated this is the worse financial situation the Town has ever seen. He said revenues are projected to be down more than 7% for the remaining months of this fiscal year and said they do not expect to see any recovery until 2014 or later. He said sales tax revenues are only down 4.3%. He commented some months will not be so bleak, but said one good month does not indicate a trend. He stated next year’s State income tax distributions would be \$132,000 less than this year. He said he and Kelly Udall are both addressing issues in anticipation of additional short falls next year. He said the most recent sales tax receipts reflect September 2009 activity, which was better than September 2008. He commented retail sales were up nearly 3% over last year, restaurant taxes were up nearly 2% over last year, hotels were up 34%; and said construction revenues remain extremely low. He said no capital purchases will be made, and said the good news is they were successful in cutting spending and are operating in the black, due to careful spending by the Department Directors. He stated they have collected \$9,800 in impact fees this year. He said Mr. Udall and he are both monitoring the Town’s cash flows very carefully.

Vice Mayor Crockett stated State Treasurer Dean Martin reported a bleaker forecast for the State and said his recovery projections were 3-5 years. He stated he thinks it would take 7 years for the Town to recover and thanked the Town staff for their good work. Councilman Dodd stated this is important, but disconcerting news. He asked for an explanation on the debt load schedule. He commented the Town would be debt free by 2014 and would then have the ability to do some things. Mr. Brooksby confirmed the Town would be debt free by 2014, and said they are spending \$39,000 per month on current debt service, which would decrease slightly in July 2010.

He stated those monies are based on road repairs of ten years ago and the development of the Mountain Meadow Recreation Complex.

Kelly Udall stated his appreciation for the way staff has responded. He said they have been careful with overtime and other spending. He said they are making estimates based on the State's sales tax projections. He said, based on those projections, it would be good for the Town to cut its budget by another \$600,000. He added they do not know if they need to implement that plan at the present time, but said they are looking at data and trends as they come in. He said over the last month, the trend has been slightly more positive, and said they would continue to watch it carefully. He said their strategy is to use the trending as the trigger mechanism for what phase the Town needs to implement. He said this information is being shared with the Council first, but said it would concern the employee group. He stated Mr. Brooksby and he would meet with staff next week. He stated there are three phases; and said the first phase would have the least amount of impact on the employee group. He said in the first phase, they have suspended all Capital Improvement expenditures, except those funded through HURF, for a savings of \$94,000. He said now that they are a quarter of the way through the budget, they feel they can decrease the bus system funding by \$15,000; cancel the budgeted recycling feasibility study; cancel the Arts Commission funding; reduce the Mayor's Youth Advisory Committee budget from \$2,000 to \$500; and propose the Town use the Contingency Budget if needed. He stated they are also proposing an early retirement program, but said only a few employees and some officers under PSPRS may qualify. He said this would be a help with next year's budget. He said they would encourage a voluntary furlough program. He stated they could also reduce the Health Savings Account contributions by \$500 per employee through the rest of this fiscal year and next year as well. He stated there is also a hiring freeze that has been ongoing for this fiscal year. He said the bottom line in Phase I is a \$338,180 cut; but said due to the condition of the budget, they do not have to do this immediately. He suggested the Council look at imposing the items in the order given as necessary. He said Phase II would be triggered by looking at the past trends. He said if they begin to see it worsening, they would kick in all of Phase I and then Phase II; which would include the potential to reduce contract services. He noted they would come back to the Council to discuss any reductions in contract services. He said they could also reduce the budget for the Woodland Lake Park acquisition by \$30,000. He said the last item in Phase II would be a 5% wage cut across the board for the employees; and said they would also impose non-paid furloughs. He said administratively and operationally, they would look at this option so these actions would not impact services. He said Phase III includes layoffs until the budget can be balanced. He stated this is a strategy and added they should not read more into it than that, but said they must be prepared. He stated these are estimates of what can be done if need be; and said they would only do what is necessary to balance the budget. He stated there are some silver linings, such as the current trending of revenue coming in better than anticipated.

Vice Mayor Crockett asked if Phase I would be implemented in any particular order. Mr. Udall stated they would hold off on the reduction of the HSA contributions, but said everything else would be implemented, if required. Councilman Dodd asked if the employees would have to make up the difference in the HSA contribution. Mr. Udall stated the deductible is high and the Town contributes \$3,500 annually for a family towards a \$5,000 deductible; and explained the \$500 would be a reduction of that contribution. Councilman Dodd asked about the 5% wage cut. Mr. Udall stated that is a number that can float. He said they are looking at furloughs of 5 days for the balance of this fiscal year, and 10 days next fiscal year. Councilman Dodd asked where the Town is on the paperwork for the NEPA study on Woodland Lake Park. Rosemary Rosales

stated the Town's portion is complete, but said they are waiting for the Forest Service to come back with the monetary amounts. Mr. Udall stated the Town is looking very closely at how services are delivered. He said, for example; the Parks and Recreation Department has planned to help the Public Works Department with snow removal using Town equipment. He stated the Town would have a balanced budget by the end of the year.

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

Dated this 16th day of December 2009.

PINETOP-LAKESIDE TOWN COUNCIL

/s/ Lu Anne Frost, Town Clerk