

**MINUTES
EAGAR TOWN COUNCIL
WORK SESSION
22 W. 2nd St., Eagar, AZ
March 3, 2015 – 6:00 P.M.**

Mayor Bryce Hamblin called the Work Session to order.

COUNCIL PRESENT: Bryce Hamblin, Mayor
Steve Erhart
John O. Phelps
Debra Seeley
Winslow McNeill

COUNCIL ABSENT: James Nelson, Jr., Vice Mayor
Allen Browning

STAFF PRESENT: Tami Ryall, Town Manager
Bruce Ray, Community Development/Public Works Director
Eva Wilson, Town Clerk
Katie Brady, Finance Manager
Mike Hogan, Police Chief

1. WORK SESSION TO DISCUSS THE FISCAL YEAR 2015-2016 TENTATIVE BUDGET

Mayor Hamblin turned the time over to Town Manager Tami Ryall and Finance Manager Katie Brady who both presented the information for the fiscal year 2015-2016 budget and five-year budget plan from the PowerPoint Presentation and distributed spreadsheets.

Ms. Ryall stated that the Town's budget composition of revenue by type is:

- 50% General Fund
- 18% Highway User Revenue Fund (HURF)
- 32% Utility Revenue

In General Fund, revenues by source are from State Shared Revenue at 52% and City Sales Tax at 35% and other smaller revenue sources. The State Shared Revenue and City Sales tax are both volatile and dependent on the economy. Ms. Ryall recommends that the Town continue to be extremely fiscally conservative. Historical trends in all three funds listed above have remained consistent over the last five years.

The five-year budget summary shows a decrease of \$356,000 in the General Fund with the significant change attributed to the actual versus budget adjusted to the right areas based on a two-year average. Also very significant is that there has been allocation shifts applied by functions to appropriate accounts. The General Fund will experience some challenges this year in Public Safety Personnel Retirement System (PSPRS) experiencing a significant

increase in contributions due two large lawsuits involving the state fund increasing the Town's contribution rate in the amount of \$52,000. Ms. Ryall will bring back cost saving ideas for this contribution funding in April but the bulk of the increase is unavoidable. Worker's Compensation actual losses and expected losses are significantly out of proportion with each other and the Town will realize an \$114,000 increase in this expenditure fund. To combat future increases in this fund a Safety Committee has been formed to address safety measures. Councilor Winslow McNeill asked what amount of the Worker's Compensation injuries was preventable. Town Clerk Eva Wilson replied that the last several injuries have involved high dollar surgeries and that the injuries were incurred by performing everyday tasks for that position, there was not any training or precautions that could have prevented these injuries. Our workforce is aging and their bodies are worn from a lifetime of physical labor. Ms. Ryall added that Ms. Wilson has been developing and providing more safety training for employees.

Rural Arizona Group Health Trust (RAGHT) will also experience a slight increase for the health insurance premiums of 3.1% in the medical fund only; dental, vision and life will not experience premium increases. Councilor Steve Erhart asked what was the purpose of the five-year contract with RAGHT if the premiums increased. Ms. Wilson stated that the contract does not guarantee a set premium for the five years as every year RAGHT evaluates the claim experience. Ms. Ryall stated that the Town is investigating other Trust and private insurance options.

In the General Fund the revenues are over expenditures including Capital Projects in every department with a proposed balanced budget for fiscal year 2015-2016 of \$2,400,522. The Town does not want to have a HURF Revenue balance so the five-year budget reflects the Town's need to spend this fund balance down, yet is still conservative and proposes \$979,495 in revenues with expenditures at a negative \$123,435. The Utility Fund 2015-2016 budget amount of \$1,347,234 owes the General Fund and the General Fund owes the HURF reflected in the five-year budget is where the Utility Fund is going to pay back the General Fund, as well as funding water, sewer and capital projects. This five-year Utility Revenue budget also shows a two-year freeze on sewer rates as requested by Council. Water rates have not been frozen due to WIFA lending and Ms. Ryall has sought assistance from bond houses for their recommendation on those loans, as well as needing to obtain an updated rate study which \$5,000 has been budgeted for. Ms. Ryall stated that the WIFA website maintains a dashboard which shows comparisons for utilities rates nation and statewide.

Councilor Erhart wanted to know what the projected revenue would be for the disposal of town properties. Ms. Ryall stated there would be no projected revenue for any of that as it is difficult and risky to estimate.

Ms. Ryall moved to discussion of early payoff on lending, particularly Ramsey Park which has a principal amount remaining of \$433,000. She gave three savings options:

- Payoff within one year for a savings in interest of \$151,799
- Payoff within two years for a savings in interest of \$142,004

- Payoff half of the principal within one year with the remainder of principle over time for a savings in interest of \$120,140.

Councilor Erhart would like to see what the Town would have remaining in reserves with each one of these options used as the model. Ms. Ryall will provide further information for April's budget work session.

Ms. Brady then presented the proposed 2015-2016 budget in more detail. Most line items trended at less than one percent and many line items are static. The proposed budgets were predicted by taking historical expenditure information and applying the average in each line item. Over the five years the Town Clerk's budget has a fluctuation of approximately \$14,000 due to elections being held every other year. The Community Development budget has been budgeted with the director position even though the seat is vacant right now. In Finance the audit dropped by \$22,000 due to budget line item reallocations so there will be spread increases in other departments for this share of \$22,000. The Police Department budget reflects the increase in PSPRS and Worker's Compensation and a \$36,000 increase due to a Capital purchase of a police vehicle with a total increase overall of \$72,000. The Parks department reflects half the employee wage for event planning and implementation.

Mayor Hamblin asked about the copy machine lease and maintenance contract. Ms. Brady pointed out that the police department copy machine lease is over this year and the Town has the option to purchase the machine for one dollar and continue to contract for maintenance. Mayor Hamblin asked for more detail regarding the copy machine usage and maintenance agreement/supplies.

Councilor John Phelps asked about the police vehicles and equipment amounts showing zero in coming years. Ms. Brady stated that a police vehicle is budgeted for the next fiscal year, however, Capital Projects are not included in this detail page and Capital Projects will be discussed in detail at the April budget work session.

Facilities and Fleet budgets reflect significant cost sharing and adjusted allocations based on two-year averages for a total of inter-fund/department transfers in the amount of \$122,300 for Facilities and \$132,786 in Fleet to other funds instead of the General Fund bearing the full weight of costs. Fleet will have a total of \$2,364,482 in expenditures but will experience \$52,120 in revenues over expenditures by the end of the 2015-2016 fiscal years.

HURF expenditures will amount to \$834,995 with \$21,065 of revenue budgeted over expenditures. Ms. Ryall stated even with the over programming in HURF and in attempting to pay down the balance, (a positive balance is bad to have) is still a very conservative figure. Allocations were again applied significantly in HURF in the salaries and EREs as the Town will compensate employees from the fund where they are expending their labor.

Mayor Hamblin asked for the Town's total premium amount for the health insurance which is \$350,000 annually for all employees. Mayor Hamblin asked for a break out of employees covered versus family coverage. The Town pays 90% of an employee only health insurance

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premium and 70% for dependents. Ms. Ryall will provide more information at the April budget work session to include a census.

Ms. Ryall outlined April's budget work session meeting which will include discussion on year-end cash over expenditures, options for fund balances, and debt payoff, as well as, long-term goal setting and the two quarters operating in reserve plan. Ms. Ryall believes that the Town reserve should be proportionately reflected of where the expenditures are in each fund. And of course the next meeting will also be dedicated to detail for the Capital Project proposals.

Councilor McNeill would like to hear back on the plan for water rates.

The Council work session adjourned at 6:47 p.m.

Attest: _____

Mayor: _____

Vice-Mayor: _____

Council: _____

