

**MINUTES
EAGAR TOWN COUNCIL
WORK SESSION
December 4, 2007
6:00 P.M.**

Vice-Mayor Vicente Ordonez called the meeting to order and welcomed those present. Vice-Mayor Ordonez said to let the record show that Mayor Gloria Eagar is excused as she is attending the Governor and Mayor's Summit Meeting; all other council members are present.

COUNCIL PRESENT: Vicente Ordonez, Vice Mayor
 Byron Smith
 Kim Holaway
 Gary Finch
 James Nelson, Jr.
 Sue Chacon

ABSENT: Gloria Eagar, Mayor

STAFF PRESENT: Bill Greenwood, Town Manager
 Rick Pinckard, Finance Administrator
 Mike Hogan, Chief of Police
 Bruce Ray, Community Development Director
 Elwin Browning, Public Works Administrator
 Eva Wilson, Town Clerk
 Marion Wiltbank, Assistant Town Clerk
 Tami Castillo, Public Works Office Manager
 Lourdes Carnright, Clerk

ITEM #1: DISCUSSION AND CONSIDERATION OF INDIVIDUAL COVERAGE, DEPENDENT COVERAGE, IN LIEU PAYMENTS, SECTION 125 PROGRAMS FOR EMPLOYEES

Councilor Kim Holaway stated that she was not necessarily in favor of insurance in lieu amounts to be 90% of the premium. That this amount should be subject to what the next budget can allow. And that the in lieu amount not be greater than an employee's premium amount.

Councilor Gary Finch asked for clarification on how the Town decides on what amount to pay for dependant coverage. Finance Administrator Rick Pinckard answer that it is based on what surrounding communities our size are offering.

Mr. Andy Marshall, Aflac Representative, was present to define some of the Section 125 programs available and their IRS regulations. Mr. Marshall explained Section 125 to be a program that employees are able to pay for eligible fringe benefits with "pre-tax" income, thereby reducing payroll taxes and increasing their take-home pay. This plan has a once yearly open enrollment. Every employee is given the opportunity to participate.

Mr. Marshall explained that the Town is a self-administered program and that Aflac is the benefit manager.

Mr. Marshall explained that a Flexible Spending Account (FSA) can be used to cover a variety of medical expenses incurred by an employee, their spouse, and dependents. Deductions allowed for medical expenses on federal income taxes (according to the IRS) may be reimbursed through the FSA. He explained that it is possible that changes in the IRS rules can affect the eligible expenses.

- An employee can volunteer to have an amount deducted from each pay period,
- There is a 12 month commitment.

He gave a couple of examples of how a Health Savings Account (HSA) can be used: that contributions to the HSA can be made by the employer or the individual, or both; and that this type of account rolls over year after year, if the contribution is made by the employer, it is not taxable to the employee.

Mr. Marshall said that the Aflac Corporate office can be contacted to have additional questions answered as they have experts on the IRS tax laws and these types of plans.

Councilor Kim Holaway is asking for staff recommendations; Vice-Mayor Vicente Ordonez wants it to be an equal and fair policy.

Councilors had concerns that contributions that do not rollover each year are received in the General Fund. Councilor James Nelson would like to see the unused contributions put in a separate account just for this purpose, if possible.

Council directed Town Manager Bill Greenwood to start formulating a policy; and that this item be brought back before the Council.

ITEM #2: DISCUSSION AND CONSIDERATION OF BUDGET ITEMS AND LOST REVENUES

Finance Administrator Rick Pinckard reported to the Council that at the end of last year the Town's Accounts Payables were behind schedule by approximately \$400,000. This was due to the oil price increase while completing the Main Street Project; the Highway User Revenues (HURF) was short by \$86,000; and with the closure of the biomass plant, water revenues were reduced by approximately \$75,000.

After five months the Accounts Payables are still behind schedule by approximately \$400,000. After five months the HURF monies are still behind schedule; and payback from the State for sending the Town's firefighters to fight forest fires in the amount of \$135,000 has not been received.

Mr. Pinckard believes that the Town could catch up on Accounts Payable; however, with the current trend in HURF this is questionable. Correction action to date has included, projects that are not part of a grant have been postponed; positions vacated are not being filled; purchase orders are now being entered into the system to track trends in a timely manner; the State has been contacted concerning the revenue

shortfalls in HURF. The State is performing an audit to determine if revenues for the County are being reported accurately.

Some of the recommendations Mr. Pinckard made that could help the budget include stopping donations to the Chamber of Commerce and or to Economic Development Apache County (EDAC); do not open the swimming pool; cut summer recreational programs; freeze wages; and next year's budget will have to be reduced by \$300,000.

Bank of the West has provided the Town with terms and conditions of credit for lease financing of several projects:

- Purchase of real property \$320,000
- Construction on Kennedy Well \$95,000
- Road Reconstruction \$450,000

Councilor Sue Chacon and Councilor James Nelson feel that when there is such a deficit in the budget that taking a loan out to pay off dept will not bail the Town out. It seems that the consensus is that departments start cutting back on their spending.

Council directed this item to be brought at next week's regular session.

ITEM #3: ADJOURNMENT

Councilor Gary Finch motioned to adjourn the meeting at 7:05 p.m. Seconded by Councilor Kim Holaway; all were in favor and the motion carried.

Attest: _____

Mayor: _____

Vice-mayor: _____

Council: _____

Council Work Session
December 4, 2007

CERTIFICATION OF COUNCIL MINUTES

I hereby certify that the foregoing minutes are true and correct copy of the minutes of the work session of the Town of Eagar, Arizona held on the December 4, 2007. I further certify that the meeting was duly called and held and that a quorum was present.

Eva Wilson, Town Clerk