Business Plan

FISCAL YEAR 2010/2011

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Office of the Town Manager

May 31, 2010

The Honorable Town Council
Town of Payson
303 North Beeline Highway
Payson, AZ 85541

Re: The Proposed Business Plan for Fiscal Year 2010/11

Dear Town Council:

The purpose of this business plan is to set proposed means for staff to accomplish the strategic priorities set by the Town Council in the latest Corporate Strategic Plan (CSP). The business plan contains information on the past accomplishments and provides a better picture of success and challenges encountered in meeting the goals highlighted in the CSP. The business plan provides a means of performance evaluation in accomplishing the Corporate Strategic goals.

"What's next?" Many of our residents and businesses must be wondering this as they navigate through another tumultuous financial year. Amidst negative macroeconomic news, closer to home the cost of food, gasoline, electricity - the everyday necessities – seems to increase each day. Although the real estate market has shown a slight increase in activity locally, the pain of foreclosures has hit too close to home for many, as owners abandon the properties they can no longer afford and neighbors watch these homes go unattended.

The Challenge

In this environment, local governments struggle to keep up with gas and utility prices increasing at alarming rates, while also feeling the impact of increased code cases caused by foreclosures and pre-foreclosures. Meanwhile, in our own Town, revenue streams have seemingly slowed to a trickle with further declines expected through Fiscal Year 2010/11. The Arizona State budget issues have not been completely resolved and word is that the State is facing at least a $3 billion deficit in 2010/11. The effect this might have on the State-Shared revenues for 2010/11 remains uncertain. General Fund State-shared revenues for fiscal year 2010/11 are estimated to be around 28% less than last fiscal year while Highway User Fund Revenue appears to have stayed close to the same amount over fiscal year 2009/2010. Local sales taxes are estimated to remain close to the same and show a 12% decline from fiscal year 2009/10 adopted budget. Construction related revenue remains almost non-existent, although there has been some movement on the economic development side, which could create construction revenue. On the other side of the ledger, fuel

cost, although somewhat lower than last year at this time, are still higher than anticipated. The bottom line is that expenses are higher and revenues are lower.

Having a business model and good corporate culture will help us to proactively plan and position our organization to address these economic challenges now and in the future. Our Corporate Strategic Planning process takes a long-term approach to planning and financial management. In the 2008/2009 fiscal year we created firm fiscal polices that will allow us to place a special emphasis on anticipating "emerging issues" that could affect us, and begin to use forecasting tools to quantify their impacts and then implement safety nets to mitigate these impacts. However, due to the budget constraints we are currently under, we have not been able to follow some of those new fiscal policies in this Business Plan.

As our residents struggle with lower home values, higher gas and food prices, and the uncertainties of a blurry economic picture moving forward, we have a moral obligation to produce a business plan that protects our residents against damaging service cuts and holds the line on tax rate increases. We depend on our streamlined workforce made up of empowered and motivated employees. We maintain a focus on making decisions based on data. And most importantly, we keep our focus on our customers.

I would be doing a disservice to our 169 employees to imply that balancing this budget has been painless. A few of the measures necessary to bring you this budget are:

- 14 full time positions to remain vacant, 1 part time position to remain unfilled, 5 paid-on-call fire fighter positions to remain vacant. (A savings of $738,500 in total with benefits).

- No merit increases for employees. (A savings of $199,500).

- No Cost of Living Adjustment (COLA). (A savings of $39,900).

The current environment also means that you will not see the number and breadth of new initiatives in this Business Plan that we would like to be presenting. The economic uncertainty and the reduction in our workforce leave a hole that must be filled by the remaining employees. However, we are maintaining most service levels and will undertake some important new initiatives.

New Initiatives

The new initiatives that did make their way into this year's Business Plan are those that are most likely to assist our residents and businesses through this difficult economic climate or help to make the Town more environmentally friendly. Below are a few examples of this year's initiatives:

- Improved External Communication – This group of initiatives will improve the communication and the types of media used to provide better and timely information to you and the public.

- Improved Customer Service – This group of initiatives will improve the services we provide and the way we offer them.

- Community Development – This group of initiatives contains a town-wide beautification plan, walk/hike ability promotions, and an economic development plan.

- Facilities Improvements – This group relates to the construction of a third fire station and implementation of he recently adopted airport master plan.

In closing, let me congratulate our staff – from our frontline employees to the management team for meeting this economic challenge in a manner that respects and serves our residents and our community. They are the true heroes of our organization.

Respectfully submitted,

Debra A Galbraith
Town Manager

The Town of Payson

Business Plan

Fiscal Year 2010/11

The Town of Payson is dedicated to enhancing the quality of life for our citizens by providing a superior level of service in the most effective and efficient manner while exercising fiscal responsibility.

Town Council

Mayor Kenny Evans
Vice Mayor Michael Hughes
Councilmember Fred Carpenter
Councilmember Su Connell
Councilmember Ed Blair
Councilmember Rick Croy
Councilmember John Wilson

Town Manager

Debra A Galbraith

Business Planning Team

Cindy Smith, Chief Fiscal Officer
Sam Streichman, City Attorney
Tim Wright, Deputy Town Attorney
Marty DeMasi, Fire Chief
Cameron Davis, Director of Parks, Recreation & Tourism
Don Engler, Chief of Police
Tomi Huddlestun, Human Resources
Ray Erlandsen, Acting Director of Community Development
LaRon Garrett, Director of Public Works
Buzz Walker, Assistant Director of Public Works
Silvia Smith, City Clerk
Terry Morris, Library Director

Adopted June 3, 2010

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Introduction

Our Business Plan is the framework for our Operations. It is a flexible plan that we use to achieve the objectives set forth in the Corporate Strategic Plan (CSP), stay in line with the adopted budget, and respond to economic changes that may effect the budget.

The Strategy Behind the Plan

The Business Plan outlines how Town resources will be applied to achieve the objectives determined by the CSP. Our strategic planning results in a mission and a set of strategic priorities that provide vision and direction for the Town. The Town has been updating the CSP for the past 15 years. This business plan has been created to provide the roadmap linking our day-to-day activities with the mission that we aspire to achieve. The business plan establishes a structure for resource allocation.

With the strategic priorities set, and the appropriate outcomes identified, the operations of the Town are reviewed and redeployed to bring the strategic vision to life. Specific initiatives are developed in response to the priorities identified in the Corporate Strategic Plan. This Business Plan is an out growth of the strategic priorities, capturing the Town's vision in a specific, directed, and quantifiable form.

Reading the Business Plan

The **Market Environment** section is the result of an environmental scan that is performed prior to the strategic planning process and will be updated annually. It will be presented in its complete form in the Strategic Planning Workbook each year and then updated and summarized in the Business Plan. We will look at local demographic and economic market forces to identify emerging issues and items of concern to our residents. Direct customer feedback will be solicited through surveys, focus groups, and town meetings, which becomes the basis for the Council's strategic planning.

Our **Service & Operations Strategy** is organized by strategic priority to document the steps we are taking to achieve the intended outcomes for each of the priority areas. Key Result Areas, set by the Council, are the measurable results we intend to achieve.

The **Financial Strategy** provides a summary of the tactics we are employing to maintain our financial condition and respond to future challenges and opportunities.

Future editions of this document will include a **Measuring Results** section that will be used to monitor the success of the Business Plan. We will use a number of measurements, the most important of which, will be the Composite Index, a carefully balanced indicator of the Town's overall success relative to past performance.

Market Environment

Overview

We believe our residents deserve a Town government that is as efficient and as results oriented as the best the private sector has to offer, yet is mindful of the highest ideals of public service. We believe our residents deserve a Town government that focuses on their needs by delivering the highest quality services at the lowest price.

Standard & Poor rating agency recognized the Town's sound financial management and health by awarding the Town an A+ bond rating. Unfortunately, several forces outside our control are marshaling to challenge the Town's financial and managerial where-withal. These forces are inflation, an economic recession, and the building construction downturn.

These factors have made it more difficult than in years past to prepare the budget in a way that maintains our solid financial position. The contracting economy is beginning to affect some of the Town's major revenue sources (such as Sales Tax, Revenue Sharing, and Building Permit Revenue). These demand driven revenues declined by $956,500 as of May 31, 2009. Compared to a $646,000 decrease from May 31, 2008. The main reason for the decline is a decrease in the revenue received from the State Income Tax. The amount received from income tax is based on taxes collected two years ago. Two years ago was the beginning of the economic decline in Arizona which caused a loss of income and/or relocation for many Arizonians. The declining trend in income tax revenue is expected to continue in the future due to the two year lag. The estimated decline using the 2010/11 budget vs. 2008/09 actual is $957,800.

While the Town's revenues decline, expenses are increasing. The Town is facing significant increases in everything from energy to health care.

In the Fiscal Year 2010 Business Plan, we have outlined the specific actions we will take to prepare for the challenges ahead. We have balanced the budget based on sound financial practices. However, having no reserves to cushion the revenue decline that we are experiencing, we have also:

- Added some new user fees for the first time in many years;
- Continued not budgeting for 14 full-time positions;
- Eliminated employee performance bonuses for the third year in a row;
- Eliminated professional landscaping and janitorial services;
- Continued to reduce spending on employee travel and training; and
- Terminated our self-insurance program and joined an insurance pool.

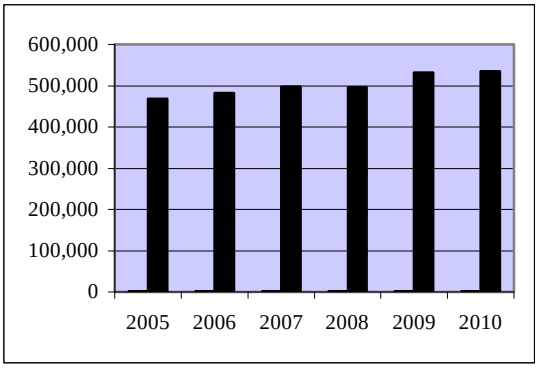
Our success to date has been largely dependent upon planning ahead for the financial realities we see in coming years. In the 2010/11 fiscal year, we will begin utilizing a Five-Year Forecast. This tool will allow us to peer into the near future and see

what deficits await us if we take no further action.

At the time of this writing, for the 2010/11 fiscal year, the property tax assessment has not yet been established by the Town Council. In past years there has been a modest tax increase due the increased assessed value for new construction (refer to the "Financial Strategy" for more information).

The increase for fiscal year 2009/10 for the primary property tax was $25,350. Should the Town Council continue in that direction, the increase for fiscal year 2010/11 would be $3,731.

PROPERTY TAX HISTORY



Economic Analysis

Toward the end of 2007, most economists felt that in spite of a volatile stock market, the housing market meltdown, and credit problems, the economy was still fundamentally strong. They believed the economy had entered into a period of slow economic growth and a recession was unlikely.

Since then, however, those economists have done an about-face with most believing the U.S. economy is in a recession. In their minds, the only remaining questions relate to the depth and breadth of the recession. Since the slow down in the economy is attributed in part to a spill over from a slump in the housing market, the recession is expected to linger longer in states such as Arizona whose economies are dependent upon real estate and construction.

According to the U.S. Bureau of Economic Analysis (BEA), in the first quarter of 2010 the economy increased by 3.2%, as measured by Gross Domestic Product (GDP). This compares to a decrease of 6.4% in the first quarter of 2009. By comparison, the GDP declined by 0.7% in the first quarter of 2008. In 2007 the annual GDP grew by 2.1%, followed by an annual GDP growth of 0.4% in 2008, and a GDP decrease of 2.4% in 2009.

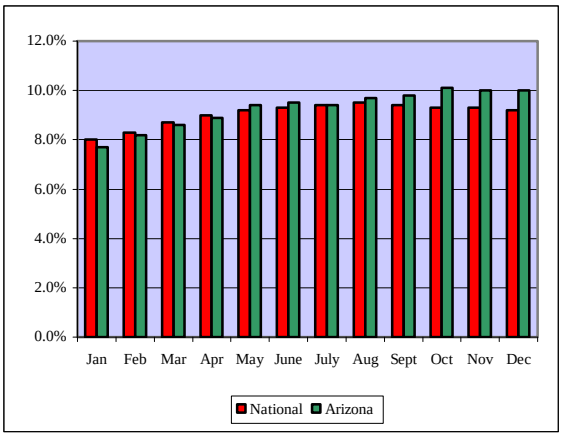
Unfortunately, we expect that the decreases in construction of housing, commercial and industrial property that we are noticing in our community (and throughout most of Arizona) will be reflected in the Fiscal Year 2010/11 construction revenues. While there may be some relief as construction may start to pick up in hopes that the Millennium Campus plan will begin to come together in the next year, we are anticipating construction revenue to remain close to the estimated 2009/10 revenue with a decrease of only $6,000 in Fiscal Year 2010/11. The budgeted decrease in Fiscal Year 2009/10 was $100,000.

Demand-driven revenue such as Local Sales Tax, Highway Users Revenue tax (HURF), and State Shared Revenue are expected to decrease in Fiscal Year 2010/11 by about $508,000 and we expect these revenue sources will continue to decline in Fiscal Year 2011/12. We are forecasting the revenue picture will not show much improvement until Fiscal Year 2012/13.

Employment

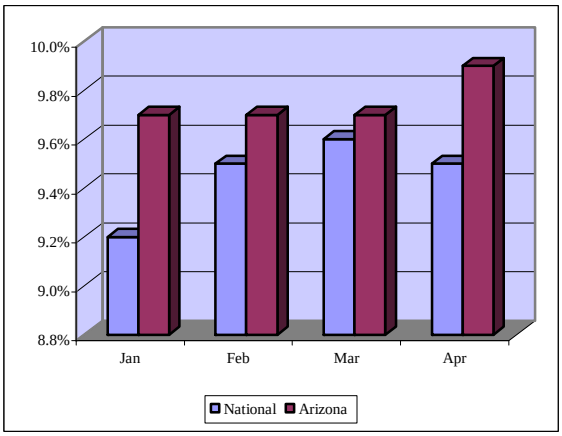
The national unemployment rate for April 2010 stood at 9.5% or an increase of 1.0% over April of 2009. Historically, the unemployment rate in Arizona has been lower than the national average. In 2009, however, Arizona's unemployment rate rose above the national rate

2009 UNEMPLOYMENT RATES



In April 2010 the national unemployment rate was 9.5%, in Arizona it was 9.9%.

2010 UNEMPLOYMENT RATES



The unemployment rate in Gila County, by contrast, grew from 10.7% in March 2009 to 11.5% in March of 2010.

Unemployment rates within the Town of Payson for June 2007 and June 2008 were 4.1% and 5.7%, respectively. As of February 2010, the unemployment rate in Payson was 9.4%

Energy

As of May 2010, the U.S Department of Energy (DOE) expects the per barrel price of crude oil to average around $84 during the second half of the year and rise to $87 by the end of next year.

DOE estimates the national average price for a gallon of gasoline to be around $2.94 during the summer driving season (April 1 to September 30). This is up $2.44 a gallon last summer.

The higher fuel prices of the last couple years have already begun to be translated into higher costs for other commodities. Arizona Public Service (APS) instituted a rate increase in the fall of 2008, with another 0.9% increase in January 2010.

DOE expects the cost of propane to increase 7% in 2010 and an additional 6% in 2011.

Inflation

In 2007, the nation suffered its highest rate of inflation in 17 years. The CPI for the Western Region increased by 3.29% between April 2009 and April 2010. The national CPI for the same period increased by 5.55%. The CPI for the metro Phoenix area increased 2.22%. The same 'basket of goods' that cost $100 in 1982-84 would cost $221.20 in April 2010.

While the Consumer Price Index (CPI) measures the average change over time in the prices paid by urban consumers for a market basket of goods and services (e.g.

food, clothing, housing, medicine), the State/Local Government Price Index measures the change in prices paid by state and local governments for a basket of goods they typically purchase (health care, construction materials, labor, asphalt). As shown in the figure below, the cost for typical goods and services is much higher for local governments than it is for consumers.

Cost of Government "Basket of Goods" Outpaces Consumer Price Index

Year	CPI Increase	GPI Increase	Per Capita Personal Income (PI) Increase
1999	2.2%	3.6%	1.6%
2000	3.4%	4.4%	2.5%
2001	2.8%	3.1%	1.9%
2002	1.6%	2.1%	1.4%
2003	2.3%	4.2%	2.0%
2004	2.7%	4.0%	2.6%
2005	3.4%	6.3%	3.0%
2006	3.2%	5.3%	2.7%
2007	2.8%	5.1%	2.7%
2008	3.8%	5.4%	3.3%
2009	3.4%	4.8%	3.5%

Annual CPI, GPI and PI are national averages.

Housing Bubble

Between 1996 and 2006, the value of residential properties grew an average of 13.3% per year while inflation grew at a relatively slower rate of 4.5%.

The speculation in the housing market that drove prices to inflated levels was based on lax lending standards and the conviction that housing was a failsafe investment. The speculative bubble finally burst as more and lower interest rate loans were made to risky borrowers who then were unable to pay back those loans.

Nationally, housing prices are beginning the climb again. According to the S&P/Case-Shiller Home Price Indices (20 city composite), housing values for the first quarter of 2010 are near where they were in 2003.

Land Development Trends

Residential Development

After experiencing rapid residential growth earlier in this decade, development on the Town's remaining buildable parcels have been canceled or delayed. There are approximately 10 projects that have been canceled or delayed in the past year.

Project Status

WHAT	WHERE	STATUS
Bison Cove	Malibu Drive	Foreclosure
Sokol Development	Tyler Parkway	Delayed
Flowing Wells Subdivision	McLane Road	Foreclosure
Chilson Ranch	W. Main Street	Delayed
Bonita Pines Condominimums	Bonita Street	Foreclosure
Mazatzal Mountain Air Park Unit Four	Chennault Parkway	Delayed
Cedar Ridge Unit Three	Chennault Parkway	Delayed
Rumsey Ridge	Rumsey Drive	Delayed
Voss Development	Rim Club Parkway	Delayed
Vaughan Development	Rim Club Parkway	Delayed

Residential Properties

The number of single-family homes sold in Gila County during the last quarter of 2009 was around 350; for the first quarter of 2010 the number was around 150. There was a 12% decrease in sales from fourth quarter 2008 to fourth quarter 2009.

In the Payson area, sales in the last quarter 2009 were around 140 and around 60 for the first quarter 2010. There was a 23% increase from fourth quarter 2008 to fourth quarter 2009. (Source: city-data.com).

The median price for an existing home in Gila County in March 2010 fell 10% from $151,600 to $137,100 during the same month in 2009. In Payson, the median price fell from $202,900 to $180,400, or 12% decrease.

Many experts expect the market to correct but warn it could take up to two years. We are forecasting a lengthier and flatter recovery commencing in Fiscal Year 2010/2011 due to our near-build-out status and its impact on construction.

Foreclosures

According to RealtyTrac®, there were more than 2,118,034 or 27% of residential properties in foreclosure nationwide in April 2010. Arizona filings decreased 15% between April 2009 and 2010. As of April 2010, one out of every 169 Arizona homes was somewhere in the foreclosure process. This is more than twice the national average of filings for April. Other states with high foreclosures are: Nevada (one per 69 homes), California (one per 192 homes), and Florida (one per 182 homes).

Payson has not been spared. As of April 2010, there were 356, or 34%, of Payson homes at some point in the foreclosure process. 60% were in the auction phase and there were 40% bank-owned properties (meaning the homeowner had lost their homes).

While the number of foreclosed properties begins to slowly decrease, the vacant properties can still cause a number of negative consequences for the Town. First, a foreclosed property negatively affects the property values of the other properties in the neighborhood because these abandoned properties can easily fall into disrepair. Second, Town revenues may decline as property values decline.

Finally, the Town is sometimes forced to take on the additional expense of improving health and safety matters that are the occasional result of abandoned homes.

Commercial & Industrial Development

Payson continues to head toward complete build-out on single use commercial and industrial properties. As of April 2010 (Fiscal Year 2009/10), 2 new commercial buildings received a certificate of occupancy for a total of 15,000 square feet. There were no industrial permits issued in Fiscal year 2009/10. For Fiscal Year 2010/11 almost 16,000 square feet are anticipated to receive certificates of occupancy on 11 properties.

Commercial Redevelopment & Revitalization

A number of commercial properties throughout the Town are in the process of being redeveloped or revitalized. To name a few:

- The owner of the Basha's Shopping Center is in the process of giving the entire complex a facelift.
- The owner of the Rim Country Mall recently completed a makeover of that property.
- The owner of Swiss Village is in the process of installing dark metal roofs on all the buildings.

Other commercial areas and retail developments throughout the Town are making significant updates to their developments including repainting, remodeling, new awnings, signage, and landscaping. These reinvestment projects provide an increase in the taxable value of

the Town and strengthen the Town's overall financial health and vitality.

Population

While we await the results of the 2010 Census, we continue to use the numbers below based on old Census data.

The U.S. Census Bureau reports that the 2009 population estimate Gila County is 52,199. Between April 2000 and July 2009 Gila County grew by 887 people. This represents a 1.7% increase in population. According to the Census Bureau's 2006 estimate, Payson's population was 15,257. The 2000 Census Bureau estimate was 13,620 or 26% of Gila County's population at that time. Based on the Census estimates for 2000 and 2006, Payson's population grew by 11% in the six year period.

More importantly, however, the Arizona Department of Revenue uses the Town's population at 15,430 as of April 2010 for state shared revenue projections. These revenues were forecasted at $4.9 million (all funds) for Fiscal Year 2010/11. Our forecasts assume our share is not reduced by the State as they struggle to fix the state-wide budget crisis.

The Town has not experienced any decrease in demand for service. There is always the potential for a population shift and reduced state shared revenue based on a decrease in population. The population numbers bear watching.

Water Conservation

The water system includes 42 active production wells, over 8 million gallons of storage capacity, over 120 miles of distribution lines, booster pumping stations, and a groundwater recharge project and water treatment facilities. Currently, Payson obtains all of its water supply from groundwater that is pumped by production wells from the Payson area's fractured granite aquifer. This aquifer receives its water via percolation (recharge) of snowmelt and rainfall into both local and distant areas.

Currently, Payson residents use about 84 gallons of water per person per day. Each year, on or before May 1st, the Water Department reports to the Town Council the amount of precipitation, as measured by the National Weather Service, for the immediately previous twelve-month period. Based on this and other water resource data, a Water Conservation Level is determined that will remain in effect for the next twelve month period.

Water Resource Planning

Water resource planning is taken very seriously by the Town. The following objectives are Key Water Management Tools and Efforts that make up the Town's water planning approach:

- Pursue surface water supplies via C.C. Cragin Reservoir to replace groundwater as the primary water source;
- Promote a comprehensive water conservation program;
- Optimize groundwater resources through well rehabilitation and optimal operating schedules;
- Develop deeper regional groundwater resources, as needed;
- Promote recharge and reuse of reclaimed water;
- Promote beneficial use of contaminated groundwater through treatment technology; and

- Preserve and protect existing and future water supplies via foresight, and aggressive water policies.

C.C. Cragin Reservoir – Payson's water source for the future

The Town of Payson approved a partnership with the Salt River Project for the use of water in Payson from the C.C. Cragin Reservoir. The Town plans to construct a 14.5 mile pipeline from the current treatment plant at Washington Park to within the northern town limits. A water treatment facility will be constructed at that point.

C.C. Cragin Reservoir

Communities adjacent to the pipeline may wish to connect to the pipeline for the use of this water. Additionally, communities near Payson may wish to partner with the Town for delivery of treated water from a Town treatment plant to their communities.

The anticipated costs associated with this new vital resource are estimated at approximately $30 - $40 million. These costs represent a rough estimate for the construction of a pipeline, treatment facilities and rehabilitation of existing pumping facilities. In Fiscal Year 2009/10 the Town was fortunate enough to receive $10,585,000 in American Recovery and Reinvestment Act (ARRA) funds though the Arizona Water Infrastructure Financing Authority (WIFA). $4,000,000 of these funds is a forgivable loan, requiring no pay back by the Town. The remaining $6,585,000 will be paid back to WIFA from the Water Department.

Completion of the project is planned between the years of 2015 and 2020. Within this time frame, a renewable surface water supply will become an integral part of the Town's water resources portfolio.

Legislative Issues

The Town is most concerned about the continued challenges of the Arizona State budget, what the 'fixes' will be and how they will affect Payson. The following issues reflect the legislative challenges that require constant attention of Town staff and clear direction to staff through the strategic and business plans.

Arizona State Budget Challenges

The Arizona state budget has had problems, on and off, for many years. According to a report from the Arizona State University Office of the University Economist, '…the state budget shortfalls in the current and following years are the largest in the nation as a percentage of the general fund. Arizona's 16% deficit in FY 2009/10 is the largest of any state. It is projected that the FY 2010/11 deficit of 30% is tied with Nevada as the highest of any state as nearly twice the average.

While some of the state budget issues for the 2009/10 fiscal year have been resolved,

including the passage of an additional $0.01 temporary sales tax, issues still remain.

The state is anticipating another deficit for the Fiscal Year 2011/12 budget. The following table shows the reductions in state shared revenues over the past three years as the state has used these funds to help with their deficits.

Reductions of State-Shared Revenues

	FY 2008/09	FY 2009/10	FY 2010/11	Total Reduction Over Last Three Fiscal Years
Highways User Revenue Fund (HURF)	-13%	-12.0%	9.0%	-16.0%
State Sales Tax	-13%	-15%	-10%	-38.0%
Income Tax	6%	-14.0%	-25.0%	-33.0%
Vehicle License Tax	-7%	-4%	-7%	-18.0%

Emerging Issues

Fire Station #13 Construction

In 2003 a $3,555,000 ballot measure went before the voters regarding Public Safety bonds. The purpose of the bonds was to purchase communications equipment for the Police and Fire departments and to construct and equip a new fire station, remodel an existing fire station and to acquire fire vehicles. Voters approved this measure and bonds for the communication equipment ($2,030,000) were issued in 2004.

The location of the third fire station was to be in the southeast section of the town. Due to the increased population in that area and the decreased cost to purchase and construct the station, Town Council has recently approved the issuance of the remaining bonds ($1,525,000) to begin this project.

In October 2009, land was purchased. In May 2010 the construction contract was awarded with construction to begin in the summer.

C.C. Cragin Water Project

As mentioned earlier, the Town is in the process of constructing a 14.5 mile pipeline and water treatment plant from the C.C. Cragin Reservoir to Payson.

Acquiring the rights to some of the water in this reservoir has taken many years. Through our agreement with Salt River Project (SRP), we now have a substantial future water source available for residents.

The project includes, in partnership with SRP, continuing rehabilitation of the current 11 mile pipeline from the reservoir to the treatment plant at Washington Park, construction of another 14.5 miles of pipeline from Washington Park to a new water treatment plant (to be constructed) north of Payson.

The pipeline will have the ability to carry up to 5,000 acre feet of water. Payson will receive up to 3,000 acre feet of water. The agreement with SRP calls for an additional 500 acre feet of water to be available to other communities near the pipeline, once they have an agreement with SRP.

This project is now in the environmental assessment phase. Due to receiving ARRA funding for this project, we will begin purchasing the American made pipe within the next year.

Millennium Campus

Pending the sale of 300 acres of Forest Service land, a Community Facilities District will be formed to build a new type of university campus. The campus will house a major university satellite facility along with student housing and commercial and retail enterprises.

Future Transportation Connections

The Town has been working with local, regional, and state agencies on future transportation projects:

Planning for Rural Areas (PARA) Study
The Arizona Department of Transportation (ADOT) is paying for a transportation study for the Payson area. This plan will evaluate traffic conditions in the area out until the year 2030. Areas to be analyzed include: ways to accommodate future growth, possibility of an alternative route bypassing the downtown area for travelers passing through on their way to the Mogollon Rim and other destinations north and east of Payson, weekend traffic gridlock, and the potential for transit services, to name a few.

This study will involve participation of residents, business owners, environmental groups, state agencies and Town staff and elected officials.

Airport Road Roundabout
Arizona Department of Transportation (ADOT) and the Town have planned to install a roundabout at the intersection of Airport Road and State Route 87 for the past couple years. The installation has been included in the FY2009/10 Town budget ($390,000). Site cleanup began in the spring of 2010 and construction will begin in the summer of 2010.

Service & Operations Strategy

This Business Plan covers the second year within a three-year Strategic Plan for Fiscal Years 2009/10 to 2011/12. The 13 priorities identified by the Town Council for this strategic planning cycle set the agenda for this Business Plan, namely:

- External Communication
- Water Resource Management
- Environmental Protection
- Community Development
- Transportation and Drainage
- Parks and Recreation
- Fire Protection and Emergency Services
- Police and 911 Services
- Organizational Development
- Airport
- Library
- Tourism and Economic Vitality
- Economic Development

While the Strategic Plan sets out the vision, the Business Plan outlines tangible plans for making the vision a reality. In each of the priority areas, Department Directors have developed initiatives that will change the way the Town operates in order to address our 13 priorities and implement the vision expressed in the Strategic Plan.

A Word About Existing Services and "Ongoing Initiatives"

The emphasis is on multi-year implementation and the evolution of existing initiatives.

For more detail about the services we provide, and the performance measures we use to manage those services, please reference the departmental sections of the Annual Budget.

Our New Initiatives

Initiatives are chosen that will in some way assist us in achieving our Key Result Areas. We include those we feel are significant contributors to supporting our Strategic Priorities or will put additional demands on our resources. In this way, we identify the most significant actions we plan to take next year.

Due to the current economic and budget situation, we will not undertake as many new programs and services as in the past. Instead, we will focus on finding different ways of providing existing programs and services, and in some cases, making plans for reducing service levels. Regardless, remaining Town services will continue to be provided in the same high quality and timely manner our customers have come to expect.

Wherever applicable, operating expenditures have been identified for the first year only. Capital expenditures, on the other hand, reflect the total cost of the project regardless of the project's length. Capital carrying costs are not included. This year, because some initiatives are specifically implementing our goal of reducing our budget, *Cost Savings* will be shown when applicable.

External Communication

Ongoing Initiatives

Visitors to Town Websites
Lead Departments: Information Technology and Parks, Recreation, Tourism and Economic Vitality

The Town of Payson has two distinct websites that are linked together. One website contains the governmental information such as Council Meetings agendas and minutes, forms, staff information and various documents – www.ci.payson.az.us. The other website is the Parks, Recreation and Tourism website which contains information related to Parks & Recreation programs, cultural events, things to do in Payson and promotional information about Payson and the surrounding area www.paysonrimcountry.com. Both websites are constantly updated with current information and things to do.

Promotions, Publicity and Information Exchange
Lead Departments: All

Staff from all departments participate in various forms of information exchange through publishing articles and promotional items in magazines and newspapers, public email distribution lists, public speaking and radio engagements and the TOP Talk program on TV4.

Intended Outcomes

Outcome	FY 2009/10 Goal	FY 2010/11 Goal	FY 2011/12 Goal
Visits to Government (G) and Tourism (T) websites	G = 200,000 T = 130,000	G = 250,000 T = 150,000	G = 300,000 T = 170,000
Times Payson appeared in out of area publications	50	100	100
Articles and press releases in local newspapers	Police & Other = 40 Tourism = 100 Payson Pages = 50	Police & Other = 40 Tourism = 100 Payson Pages = 75	Police & Other = 40 Tourism = 100 Payson Pages = 100
Public email distribution list participants	G = 800 T = 10,000	G = 960 T = 10,000	G = 960 T = 10,000
Public information meetings/TOP Talk programs	Meetings = 40 TOP Talk = 22	Meetings = 50 TOP Talk = 22	Meetings = 100 TOP Talk = 22
Public speaking engagements/Radio appearances	Public Spkg = 95 Radio = 60	Public Spkg = 95 Radio = 60	Public Spkg = 95 Radio = 60
New video programs on TV 4	1	1	1

Enhance process transparency	10%	50%	100%
E- Gov availability for all departments	Will research ability and cost to increase Town-wide usage	Implementation in progress	Completed
Number of projects citizens are involved in	10	20	30

New Initiatives

Departmental External Communication Plans
Lead Department: Manager's Office

Each department that has significant contact with the Public shall create an External Communication Plan. This Plan will detail means of communication, intervals of communications and topics of information to be provided.

Improve Programming on TV Channel 4
Lead Department: Manager's Office

New public interest programming will be added to TV Channel 4. Staff will investigate format and programming changes to make Channel 4 more useful to the Public as a means of information and emergency information.

Improve and Enhance E-Government Systems.
Lead Department: Manager's Office

Staff will investigate current Town technology availability to increase the ability of the Public to conduct business with the Town through the Internet. This will be a coordinated effort of all departments to determine what services can be provided if we currently have the technology to make it happen.

Align Town Services with Customer Needs and Expectations
Lead Department: Manager's Office

Staff will seek information from customers through surveys and direct contact to gather needs and expectations and investigate/modify process and procedures, to create a more seamless government and meet the expectations of our customers.

Enhance Public Participation in the Government Process
Lead Department: Manager's Office in conjunction with all Departments

Create new formats and front door access for as many government processes as possible, to allow for public participation in how their Town reaches decisions.

Enhance Transparency in Governmental Processes
Lead Department: Manager's Office in conjunction with all Departments

Create processes that make reports, databases, financial statements, plan documents etc., available for public review, comment and input.

Water Resource Management

Ongoing Initiatives

C.C. Cragin Water Pipeline
Lead Departments: Water Division

The Town has been successful in securing rights to 3,000 acre feet of water from the C.C. Cragin Reservoir. In partnership with Salt River Project, the Town is in the process of rehabilitating the existing pipeline and will begin (without Salt River Project financial partnership) to construct an additional pipeline to bring the water the Payson.

Water Conservation
Lead Departments: Water Division

Staff continues to encourage water conservation. Residents are still maintaining water usage levels in the range of 80-90 gallons per day.

Water Education in the Schools
Lead Department: Water Division

Staff continues to provide water conservation and general water educational programs to elementary school students.

Intended Outcomes

Outcome	FY 2009/10 Goal	FY 2010/11 Goal	FY 2011/12 Goal
Water rights process	Sever & Transfer agreement approved	Sever & Transfer agreement approved*	Completed
Infrastructure plan completed	15%	85%	100%
Usage gallon per day	80 gpcd	80-90 gpcd	80-90 gpcd
Water saving devices installed	12 Residential 30 Commercial	12 Residential 30Commercial	12 Residential 30 Commercial
Students in school programs presented	300 students	300 students	300 students

*If not approved in FY2010/2011.

New Initiatives

Assist Neighboring Communities as a Water Resource
Lead Department: Water Division

Assist other communities with water resources during times of drought or when their water source is not available. Assist communities within range of the new C.C. Cragin pipeline in gaining access to the water.

Environmental Protection

Ongoing Initiatives

Promote/Achieve Fire Wise Status
Lead Departments: Fire Department

The Town will continue to educate and promote Fire Wise concepts and help neighborhoods achieve Fire Wise status. Currently, Payson has one of highest numbers of Fire Wise communities in the state.

Noxious Weed Elimination
Lead Departments: Community Development

Staff will continue to work with agencies and the Public to eradicate noxious weeds to stop their spread the Payson area.

Walk-ability and Hike-ability
Lead Department: Park and, Recreation

Staff will continue to add and improve the Payson Area Trails System (PATS) as well as promote walking and hiking activities.

Intended Outcomes

Outcome	FY 2009/10 Goal	FY 2010/11 Goal	FY 2011/12 Goal
Fire Wise education programs	4	4	4
Number of new Fire Wise communities	2	2	2
Number of Fire Wise assessment provided and grants utilized	150	100	100
Acres cleared of weeds	25	35	35
Recycling opportunities	Rezone possible recycling area.	Expand program to include additional recyclable materials	Expand program to include additional recyclable materials
Users of trails and bike paths	500	750	900

Community Development

Ongoing Initiatives

Investigate and Close Unsightly Property Cases
Lead Departments: Community Development

Staff will continue to investigate and resolve unsightly property cases.

Workforce Housing
Lead Departments: Community Development

Staff will continue to encourage the development of workforce housing.

Intended Outcomes

Outcome	FY 2009/10 Goal	FY 2010/11 Goal	FY 2011/12 Goal
Number of unsightly properties investigated	158	175	200
Number of unsightly property investigations closed	162	180	200
Number of developers taking part in workforce housing	5	10	10
Beautification Plan implemented	0	10%	10%

New Initiatives

Beautification Plan
Lead Departments: Community Development

Staff will design a town-wide Beautification Plan for Town Council review/modification and adoption.

Transportation and Drainage

Ongoing Initiatives

Upgrade Drainage to Handle Storm Runoff
Lead Departments: Public Works

Staff will continue to upgrade drainage throughout the Town as funding allows.

Planning for Rural Areas Study (PARA)
Lead Departments: Public Works

The Arizona Department of Transportation (ADOT) began a PARA study of the Payson area in February 2009. The Study is an 18 month process. Staff will continue to participate and support this study during this fiscal year.

Intended Outcomes

Outcome	FY 2009/10 Goal	FY 2010/11 Goal	FY 2011/12 Goal
Roadway feet improved	5,000	5,000	5,000
Number of neighborhood drainage sites improved	4	6	10
Implement PARA Study priorities	0	0*	10%
Sidewalk fee improved	100	100	200

***** The PARA Study is an 18 month process that started in February 2009. We will not know what the priorities are until the study is completed.

New Initiatives

Enhance Pavement Preservation Program
Lead Departments: Public Works

Although not a new program, due to budget constraints this program has been almost non-existent for the past two years. While not funding it as high as needed, we have increased the funding to address some of the major issues that have arisen.

Parks and Recreation

Ongoing Initiatives

Maintain Recreational Programs
Lead Departments: Park and Recreation

Staff will continue to maintain recreational programs in a manner that interests the public as well as maintains affordability.

Intended Outcomes

Outcome	FY 2009/10 Goal	FY 2010/11 Goal	FY 2011/12 Goal
Park acreage increase	0	0	0
Number of parks users	77,000	95,000	98,000
Number of parks projects completed	3	6	5

New Initiatives

Develop New Recreational Programs
Lead Department: Parks and Recreation

Staff will develop new recreational programs, in various categories, that will offer the public a variety of fun and healthy activities.

Fire Protection and Emergency Services

Ongoing Initiatives

Hydrant Installations
Lead Departments: Fire Department

The Town will install fire hydrants as waterline/road work occurs.

Fire Wise Education
Lead Departments: Fire Department

Staff will continue to educate the public and assist communities become recognized Fire Wise communities.

Intended Outcomes

Outcome	FY 2009/10 Goal	FY 2010/11 Goal	FY 2011/12 Goal
% Master Plan completed	20%	30%	50%
ISO rating	Class 4	Class 4	Class 3
FS 13 construction	100%	Completed	Completed
FS 11 remodel completed	0	100% dependent on grant funding	100% dependent on grant funding
Town funded hydrants installed	3	3	3
Fire hydrants maintained	33%	33%	33%

New Initiatives

Station 13 Construction
Lead Department: Fire Department
Capital Outlay: $1,525,000

Voters approved General Obligation bonds in 2003 for public safety communication equipment, interior construction completion to fire station 11 and construction of fire station 13. In 2004, bonds were issued for the communication equipment only. The bonds for the construction of the new station were issued in 2009/10. Construction will start in the summer of 2010.

Police and 911 Services

Ongoing Initiatives

Update 1997 Public Safety Master Plan
Lead Departments: Police Department

Staff continues to work on this document.

Intended Outcomes

Outcome	FY 2009/10 Goal	FY 2010/11 Goal	FY 2011/12 Goal
% Master Plan completed	0%	30%	50%
% Joint Police/Fire training facility completed	In discussion	20%	100%
% Technology plan completed	10%	50%	100%

New Initiatives

Inter-operability Technology Plan
Lead Departments: Police Department

Staff will develop a technology plan that details the communications system we are currently working on with the Gila County Sheriff's Office. It is the State of Arizona's plan to form a communication system state-wide working from the I-17 corridor outward to the state line.

Joint Police/Fire Training Facility
Lead Departments: Police Department

Staff will be looking into a location and draft a design for a training facility that will be used by both the Police and Fire departments.

Organizational Development

Ongoing Initiatives

Create Sound Financial Policies
Lead Departments: Financial Services Department

Staff continues to create and publish sound financial policies and procedures to ensure consistent interpretation and compliance.

Create and Publish Administrative Policies
Lead Departments: All Departments

Staff will continue to write Administrative Policies that describe and define processes and procedures used for day-to-day operations. This allows all staff to have the same interpretation of process and allows the public to understand the process.

Annual Business Plan
Lead Departments: Manager's Office, Financial Services

Departments will continue to design annual business plans to establish a directed focus on the strategic priorities as directed by the Town Council.

Intended Outcomes

Outcome	FY 2009/10 Goal	FY 2010/11 Goal	FY 2011/12 Goal
% Performance measurement plan complete	0%	75%	100%
% Business Plan complete	100%	100%	100%
Admin/Financial Policies implemented	10	10	10
Create employee training program	50%	100%	Completed
Create employee teams	50%	100%	Completed

New Initiatives

Create Employee Training Program
Lead Departments: Manager's Office, Human Resources

Create training programs for employees, including incentivizing employee web and internet seminars that facilitate enhanced employee job related skills, customer service skills, problem resolution skills, safety skills, and ethics review in an effort to provide quality services and improve opportunities for employee advancement within the organization.

Create Employee Cross Functional "Power Teams"
Lead Departments: Manager's Office, Human Resources

Create employee teams from all areas of the organization to work on process re-engineering, development, and decision-making.

Airport

Ongoing Initiatives

Payson Regional Airport Authority (PRAA) Lease
Lead Departments: Public Works

Staff continues to work with the PRAA on lease requirements and modifications, as needed.

Intended Outcomes

Outcome	FY 2009/10 Goal	FY 2010/11 Goal	FY 2011/12 Goal
Lease compliance %	90%	100%	100%
% Master Plan completed	100%	N/A	N/A
% Master Plan implemented	0%	10%	20%

New Initiatives

Airport Master Plan Implementation
Lead Departments: Public Works

The Airport Master Plan was adopted by the Town Council at the beginning of the 2009/10 fiscal year. The Federal Aviation Administration (FAA) will fund 95% of the cost of most of the projects in the plan. Implementation of the plan will depend on available funds within the FAA, ADOTA, PRAA and the Town.

Library

Ongoing Initiatives

Enhance Technology
Lead Departments: Library, Information Technology

Staff continues to seek and implement new technologies in the library.

Intended Outcomes

Outcome	FY 2009/10 Goal	FY 2010/11 Goal	FY 2011/12 Goal
% Expansion plans updated	0%	0%	0%
New Technology acquired	1	Add 10 Laptops	1
Technology upgraded	WI-FI enhancement – 75%	WI-FI enhancement 100%	Upgrade 12 Internet PC's

Economic Development

Ongoing Initiatives

There are no on-going initiatives as this is a newly created division in fiscal year 2010/11.

Intended Outcomes

Outcome	FY 2010/11 Goal	FY 2011/12 Goal	FY 2012/13 Goal
ED partnerships as local/regional/state level	5	10	15
Educated/informed community on benefits of ED (client/prospect meetings)	200	300	300
ED Marketing Plan	100%	Completed	Completed
Increased employment in Payson	300	300	300
Increased Town construction valuation	To be determined	To be determined	To be determined
Number of new business contacts	20	50	100

New Initiatives

Create a Business Friendly Culture
Lead Departments: Economic Development Division, Community Development, Fire Department

Re-engineer Town processes and timelines, improve relationships with current businesses and assist new/prospective businesses in development.

Develop an Economic Development Marketing plan
Lead Departments: Manager's Office, Economic Development Division

Create a marketing plan for promoting the Town to prospective businesses. Set industry targets and employment goals.

Tourism and Economic Vitality

Ongoing Initiatives

Promote and Market Cultural Events and Businesses
Lead Departments: Park and, Recreation

Staff will continue to promote and market cultural events and promote Payson as a destination for relaxation and entertainment.

Intended Outcomes

Outcome	FY 2009/10 Goal	FY 2010/11 Goal	FY 2011/12 Goal
Business in the Main Street program	79	81	85
Tourism Master Plan	0%	0%	10%
Increased parking spaces available	75	0	250
Events held and promoted	100	110	120
Increased Bed Tax revenue		Increase Bed Tax revenue by 10%	Increase Bed Tax revenue by 15%

Financial Strategy

Preparing for Fiscal Year 2010/11 and beyond has been particularly challenging due to the "Perfect Storm" of inflation, and recession. The cost of doing business, fueled by skyrocketing energy prices, has eroded the Town's buying power. The economy continues to contract, although at a slower pace than last year, but still causing market sensitive revenue, such as sales and fuel taxes, to slow down and, in some cases, decline.

The Town's Strategic Planning Process, identifies emerging issues that may affect our ability to provide the level and type of service our customers demand. The Town can make structural changes to reduce its budget as needed for estimated revenue losses. These strategies will help balance the budget not just in Fiscal Year 2010/11 but also into the future.

The not-so-good news is that we see no further large scale opportunities to reduce our expenses without curtailing services within our Five - Year forecast. Until there is a turnaround in the economy, balancing the budget in Fiscal Year 2010/11 and beyond will be an exercise in choosing between equally distasteful outcomes; that is, between service cuts and possible tax increases.

Five-Year Forecast

In this fiscal year, we will begin utilizing a Five -Year Forecast process. This tool will allow us to peer into the near future and see what deficits await us if we were to take no further action. The Five-Year Forecast is an integral part of planning the Town's future financial strategy. It is a strategy we will use to determine the level of risk we face over the next few years, in our ability to pay for the services we provide if we take no action to increase revenues or decrease expenditures.

Currently, and in the Five – Year Forecast, revenues are projected at conservative levels over the period and are compared to estimated cost increases in payroll, operating expenditures, and capital outlay. Since many of our expenditure increases are fixed and predictable, the main variables are the rate of increase in existing revenues and new programs or projects planned over the forecast period. Typically, future years will show a deficit of revenues over expenditures. **The purpose of this financial exercise is to adequately prepare for future challenges, so it is always conservative in outlook.** As we map out our financial and operating strategies, we will use the model to determine the potential impact of decisions. Using this tool will help keep us focused on long-term solutions, rather than short term "fixes," which could lead to negative financial impacts in future years.

As described earlier, an economic slowdown, inflation, and the mortgage crisis, and the uncertainty of the Arizona State budget challenges, have affected this year's budget, and we expect those factors to continue to affect the future budgets.

As a starting point, we have balanced the Fiscal Year 2010/11 budget. We estimated the Town to experience a $340,000 General Fund deficit in Fiscal Year 2009/10 after more cuts in all departments. Town Council directed that a $1,000,000 loan from the Water Enterprise fund be put into the budget to clear the deficit. Although we do not have the Five – Year Forecast model in place yet, we believe we should end Fiscal Year 2009/2010 in a positive vein, but with few reserves to face Fiscal Year 2010/11.

Revenue Picture

Four percent of the Town's General Fund revenue comes from property taxes and 32% comes from State – Shared revenue. The remainder is derived from user fees, franchise fees, permits, licenses, and other charges for service.

Due to the downturn in economic conditions, demand driven revenues such as sales tax and shared revenues have declined, and continue to do so. Also, it appears the continual rise in gas prices is having an effect on consumer behavior. The U.S. Department of Energy reported that the six-year trend in rising demand for gasoline has reversed with a 1% decline in demand so far this year. This decline in demand for gasoline will have a negative effect on the Town's gas tax revenues. Although Highway User Revenue Funds (HURF) (which is based, in part, on the sale of fuel) are expected to increase by 9% in fiscal year 2010/11 they have decreased 25% over the past two years. The projected increase does not make up for the past loss of revenue, but it is helpful that, at least for 2010/11, the decline has stopped.

Much of the growth in building permit revenues that we have seen in the past was due to residential and commercial construction; we do not expect the strong growth in building permit revenues from the prior years to return for some time. The state of the economy has convinced some commercial developers to cancel projects or hold off on projects until the economic environment improves. Building permit revenues have dropped an average of 30% in the past three fiscal years and are estimated to tumble by at least 47% more in fiscal year 2010/11. It is unknown when, or how much, these revenues may be affected by the possibility of future growth. The newly created Economic Development division has already brought one new business in (to a vacant building) and it is possible that current discussions could bring more businesses our way. The Millennium Campus project will also bring new building permit revenue.

Recreational revenues, on the other hand, are expected to increase due largely to increased interest in recreation, aquatic, and sports offerings as people, both local and outside the area, seek less expensive entertainment than they may have in the past. In fiscal year 2009/10, we contracted the management of the pool to a private company. This will lower the costs that the Town has paid for pool operations.

Overall, we believe revenues will decline by nearly 2% in fiscal year 2010/11 due to several factors including the decrease in State – Shared revenue, the market correction in the housing sector, and the economic slowdown. We are planning for the possibility that the decline in consumer spending, and therefore Town revenues, will continue to decline well into 2011.

User Fees

On May 7, 2009 the Town Council adopted a Resolution approving fees to be charged to the public for all uses. This document lists all fees by department and provides a central place for the public to research costs for services and event fees. This is the first time fees have been put together in this fashion and will allow for future user fee increases to be more clearly apparent. In putting together the user fee list, some fees were raised slightly. Fees had not been raised for several years. This Resolution will come before the Town Council during each budget cycle if an increase in any of the fees is sought.

Service charges and fees are paid by the citizen using the service rather than by the taxpayer. These charges and fees have the advantage of creating a market-based environment, which provides a price signal to consumers, as well as a demand signal to the Town. In this way the proper mix of services can be provided. The condition of the economy has an impact on the demand for these services that, in turn, have an impact on the revenues collected from these activities. As the economy softens, consumer demand will decline causing a drop in associated revenues and vice versa.

Long-Term Financial Planning

An important component of our long-term planning is utilizing all identified surpluses in all funds to pay for the following year's needed capital items. Each year, we will carefully comb all of our funds to identify any surpluses. Instead of leaving those funds idle, or worse, spending them on ongoing operating expenses, we will invest them in needed capital. With this investment, we avoid the issuance of debt and, therefore, ongoing debt service obligation. Currently, the Town does not have any reserves for this purpose, although we hope to be able to create the reserves we should have in place as the economy improves.

Limiting the use of one-time revenues for one-time expenditures ensures that we are not falling into the trap of adding non-recurring revenues to support ongoing operations. This could quickly turn a balanced budget into a deficit situation. Thus, all one-time revenue sources are used only for one-time capital projects in our financing plan.

Another key component of our long-term planning is managing existing debt through refunding, retirement and defeasance of our variable rate debt. We will keep a constant vigilance on our debt and take advantage of any refunding opportunities that arise.

Yet another component is the depreciation program which we will employ to fund our vehicles and computers. This "pay-as-you-go" approach will save the Town and its taxpayers in the

future. This is a new procedure for the Town that will be instituted as soon as we are financially able to begin the program.

To address the probability that revenues will decline once again in fiscal year 2011, we will budget in future years only what constitutes a viable spending plan based on estimated revenues.

Fiscal Year 2010/11 Capital Improvement Program (CIP)

The total CIP for Fiscal Year 2010/11 is $31.7 million of which $4 million is estimated to come from the American Recovery and Reinvestment (ARRA) program, $6 million from the WIFA loan, and $21.7 million for projects submitted to Representative Kirkpatrick for potential grant funding. Capital projects are funded through various types of grants, operating funds, impact fees, Equipment Replacement Fund, and bonds. Please see the Capital Improvement Plan, a separate document, for details of the Five – Year CIP.

Water & Sewer Fund

In 2009/10, the Town was fortunate to receive $10,585,000 of ARRA funds, $4,000,000 in the form of a forgivable loan with the remaining $6,585,000 as a repayable loan, for the C.C. Cragin Water Pipeline project. These funds will allow the Town to complete repairs to the existing pipeline and begin construction of the water treatment plant and new pipeline to bring up to 3,500 acre feet of water from the C.C. Cragin Reservoir to Payson and the surrounding areas. While this loan will not complete the project, it is a good start to a project that will supply Payson with a much needed supply of water for many years into the future.

Other capital projects are for repair, maintenance and improvements to existing facilities, ground water remediation and new projects that will aid in security of and better water quality for our residents.

Corporate Strategic Plan
Key Result Areas

KRA 1: Communication

Objective 1: External Communications Plan

1. All departments that have significant contact with the public shall have an external communications program.
2. Diversify the methods of communicating with citizens to provide information on Town news and issues to the widest possible audience.
3. Maintain and improve programming on TV 4.

Objective 2: Develop and Implement an Inter-governmental Communications Program

Objective 3: Foster Public Awareness

1. Track everywhere Payson is mentioned in the Media.
2. Create a "push" program with Tourism.

Objective 4: Make Governmental Processes More Transparent

1. Align Town Services with customer needs and expectations.
2. Enhance transparency in governmental actions.
3. Maximize opportunities for staff to directly meet customer needs.
4. Improve and enhance e-government systems.

Objective 3: Promote Department Solicitation of Public Input

1. Invite and promote citizen volunteerism.
2. Enhance public participation in Town government processes.

KRA 2: Water Resource Management

Objective 1: Secure Assured and Sustainable Sources of Water Supply

1. Secure the rights to use the water supply.
2. Develop and implement a water infrastructure plan.

Objective 2: Promote Water Conservation

1. Review progress of water conservation in reducing consumption.
2. Develop financial incentives to reduce consumption.
3. Maintain water usage levels as measured in gallons per day in the range of 80-90.
4. Educate elementary school students in water conservation.
5. Encourage installation of water saving devices.
6. Review and revise growth management policies as needed.

Objective 3: If requested, Assist Payson Neighboring Communities in Developing a Water Resource Management Program

KRA 3: Environmental Protection

Objective 1: Explore Additional Solid Waste Collection/Recycling Opportunities

Objective 2: Encourage and Promote Development of Fire Wise Communities

1. Promote the Fire Wise program.
2. Work with neighborhoods to achieve Fire Wise status.

Objective 3: Actively Work to Eliminate Noxious and Invasive Weed Species

1. Work with the Forest Service and homeowners/business owners to aggressively reduce noxious and invasive weeds.

Objective 4: Work to Minimize Vehicle Congestion and Pollution (See KRA 5: Objective 3)

1. Encourage walk-ability and bike-ability in order to provide safe and pleasing alternatives to using automobiles in Town.

KRA 4: Community Development

Objective 1: Reduce the Number of Unsightly Properties

1. Reduce the number of unsightly conditions that are Unified Development Code violations.

Objective 2: Increase Availability of Workforce Housing

1. Implement a plan to increase workforce housing stock.

Objective 3: Implement Town of Payson Beautification Plan, Including Signage, Town Scape and Highway 87 & 260 Right-of-Way Beautification

1. Implement Town of Payson Beautification Plan.

KRA 5: Transportation and Drainage

Objective 1: Improve Streets

1. Upgrade streets to handle current and projected traffic volumes.

Objective 2: Improve Storm Drainage

1. Upgrade drainage to handle storm water runoff.

Objective 3: Support ADOT's PARA Study to Identify Ways to Expedite Traffic Flow and Minimize Congestion, Including, But Not Limited To, Studying the Feasibility of an Economically Viable Route to Loop Traffic North onto Highway 87 & East onto Highway 260

1. Implement the PARA study.

KRA 6: Parks and Recreation

Objective 1: Increase Use, Functionality and Overall Aesthetics of Parks and Facilities & Services

1. Update parks and recreation Master plan.
2. Increase acreage available for park facilities.
3. Continue to promote and market cultural events located in Payson.

Objective 2: Develop 36-Acre Multi-Purpose Complex

1. Seek funding for improvements.

KRA 7: Fire Protection and Emergency Medical Services

Objective 1: Upgrade fire and emergency medical services

1. Update 1997 Public Safety Master Plan.
2. Improve ISO rating from Class Four to Class Three.
3. Complete Fire Station 11 remodeling project.
4. Implement a fire hydrant program.
5. Update Emergency Operations Plan.
6. Build Fire Station #13.

Objective 2: Improve Wildland/Urban Interface Fire Conditions Effecting the Town

1. Amplify wildland fire public information efforts.
2. Enhance code enforcement.
3. Support fire suppression capabilities.
4. Comply with standards and codes for all Town properties.
5. Integrate proposed actions with existing and future plans.

Objective 3: Develop a Joint Police/Fire Training Facility

KRA 8: Police and 911 Services

Objective 1: Continue to Develop and Improve Police and 911 Services

1. Update 1997 Public Safety Master Plan.
2. Implement a plan to address pending vacancies in the Police Department.
3. Implement a plan to become and remain competitive in Police Department Compensation.

Objective 2: Develop Enhanced Technology and Training

1. Develop a joint Police/Fire training facility.
2. Develop and implement an inter-operability technology plan

KRA 9: Organizational Development

Objective 1: Evaluate Organizational Effectiveness and Efficiency

1. Develop performance management program.
2. Develop departmental business plans pursuant to the adopted Corporate Strategic Plan.

Objective 2: Continue to Improve and Implement Financial Stability Policies

1. Create sound financial policies.

Objective 3: Create an Employee Training Program

1. Create employee training programs.

Objective 4: Create Employee Cross-Functional "Power Teams" for Process Change

1. Create employee involvement team structure.

KRA 10: Airport

Objective 1: Ensure Lease Compliance with the Payson Regional Airport Authority

1. Monitor the lease.

Objective 2: Enhance Operations of the Airport

1. Implement 2009 Airport Master Plan.

KRA 11: Library Services

Objective 1: Implement Library Expansion Plan

1. Update the expansion plan.

Objective 2: Secure Technological Advancements

1. Explore and implement new technologies and upgrade current technology.

KRA 12: Economic Development

Objective 1: Retain current businesses by focusing efforts on preventing companies from leaving Payson or from going out of business

1. Create a business-friendly culture in Town government.

Objective 2: Help existing businesses grow, while encouraging them to remain in the community

1. Create a business-friendly culture in Town.

Objective 3: Influence the location of private industry to Payson thereby providing an immediate impact of job creation, and adding new property or businesses to the tax rolls.

1. Develop and implement an economic development marketing plan.

KRA13: Tourism

Objective 1: Develop 36 Acre Multi-Purpose Complex.

Objective 2: Make Payson the destination of "choice"

1. Implement a Tourism Master Plan.
2. Position the Town's slogan "Arizona's Cool Mountain Town" and increase the identity and visibility of the Town locally, regionally, and most importantly in the Valley.

3. Use special events to increase “heads in beds”, and boost sales and bed tax revenues.
4. Eliminate barriers between government entities for government sponsored events.
5. Establish www.paysonrimcountry.com as the “Source” for all things tourism related in and surrounding Payson and Rim Country.
6. Establish a working network with local hotels/motels that fosters tourism.