PRESCOTT CITY COUNCIL
STUDY SESSION MEETING
TUESDAY, FEBRUARY 16, 2016
PRESCOTT, ARIZONA

MINUTES OF THE STUDY SESSION MEETING OF THE PRESCOTT CITY COUNCIL HELD ON FEBRUARY 16, 2016, in the COUNCIL CHAMBERS located at CITY HALL, 201 SOUTH CORTEZ STREET, Prescott, Arizona.

◆ CALL TO ORDER

Mayor Oberg called the meeting to order at 1:00 p.m.

◆ ROLL CALL:

Present:	Absent:
Mayor Oberg Mayor Pro Tem Lamerson Councilman Blair Councilman Lazzell Councilwoman Orr Councilman Sischka Councilwoman Wilcox	

I. DISCUSSION ITEMS

A. Presentation re market-competitive employee compensation and implementation of new pay plan in Fiscal Year 2017 (Various Funds)

Melissa Fousek, Human Resources Analyst, showed a PowerPoint presentation, which included:

- Today's Topics
- Classification and Compensation Study Overview

Ms. Fousek said the Council-approved classification and compensation study was completed and presented in the Spring of 2015. She noted there was a need to obtain market data to assess the competitiveness of City pay and benefits. She discussed the terms, methodology and application of data.

- Benchmark Example
- FY 17 Implementation

The employee would be moved to the entry level market pay grade if they made lower than that amount. Secondly, staff would determine the hire date in the employee's current position and apply 3 percent to the base rate until the midpoint was reached.

- Implementation Example
- After Initial Implementation

Craig McConnell, City Manager, said any and all increases would be subject to satisfactory performance. He said that an important element was that the methodology dealt with compression. An example was shown regarding the Police Department. To the extent the City continued to fund market compensation, the compression issue would not occur again.

Mayor Pro Tem Lamerson asked who set the standards for performance and for the evaluation criteria. Mr. McConnell said the City had a very effective employee appraisal process. It included goal setting and why the objectives were or were not met. It was a very informative four or five page document. Mayor Pro Tem Lamerson asked if the City used the same sort of evaluation process for the Legal and Clerk Departments.

Dana DeLong, City Clerk, noted that the same evaluation forms were used for City Clerk employees.

Jon Paladini, City Attorney, said the same evaluation process was used in the Legal Department.

- Public Safety Specific – Fire

Ms. Fousek showed examples of benchmarks for a firefighter, fire captain and fire chief.

- Police – Local Comparison

Benchmarks were shown for various positions in the department.

Councilman Blair asked if the City was trying to correct the lack of raises from 2006. Mr. McConnell said that it was, and staff was seeking a reasonable way to resume offering careers at the City of Prescott. He said roughly 78 percent of the General Fund was for personnel, who provided services. If the City did not pay attention to the personnel who provided services, those personnel would not be around too much longer and the services would suffer.

Councilman Blair talked about the cost of training employees.

Councilwoman Wilcox asked if the Police and Fire Departments were the only two departments on a step plan. She asked for an explanation of how that worked.

Ms. Fousek said, yes. The step plan was a 1 - 10 step, separated by 4 percent. When the employees were getting their steps, it would occur once a year and they would get an automatic 4 percent increase. She thought the steps ended in 2009.

Mr. McConnell added that if the City had some money to make salary adjustments and it was 2.5 percent, it did not work for the pay plans in public safety.

Councilman Sischka assumed that they were talking about paying people what they were worth. He asked if there would be radical changes in various departments to make the pay increases.

Mr. McConnell said staff was committed to dealing with models during the current budget process. He noted that one of the later slides listed some presentations made by the Fire and Police Chiefs regarding the effects of service delivery and the models behind those deliveries.

Mr. Paladini reminded the Council that Open Meeting Law did not allow for an in depth discussion of the public safety models issue.

Mayor Pro Tem Lamerson said there was not enough revenue coming in to pay for operations and maintenance.

- Police – Local Comparison
- Turnover and Training

Ms. Fousek noted that police officers, communications specialists and wastewater treatment plant operators had the most turnovers. She showed the cost of training for each position and where the employees relocated.

Councilman Lazzell asked if the training cost was per position. Ms. Fousek, responded yes.

Councilwoman Wilcox asked for additional detail of the training cost for a police officer. Ms. Fousek said the cost began with the recruitment process, and then onto the academy and training with a field training officer, which would be the employee's first year of employment.

Mark Woodfill, Finance Director, continued with the presentation

- Market-Competitive Pay Implementation Cost

Mr. Woodfill talked about the estimates for the initial implementation cost to the General Fund, Other Funds, and Dispatch Partners, as well as the FY17 merit adjustment costs. He noted that 27 percent of the workforce would not have a pay change.

Mr. McConnell said it was important information that would be laid out for the Council with the other operational capital items as they went through the budget process. He said they would arrive at a budget at the end of June.

- FY17 Budget Process

Mr. Woodfill provided dates for future workshops, budget adoption and consideration of the FY17 property tax levy.

Mr. McConnell said additional special meetings could be schedule, as needed.

Councilman Blair asked when the benefit program would be evaluated and how much the City paid into the program.

Mary Jacobsen, Human Resources Director, said staff had benefit data that was done during the compensation survey process. She said they brought the compensation piece forward now, and noted that the benefit data that was collected from employee focus groups would be coming to Council at a later time.

B. Discussion of proposal to allocate $51,000.00 of Parks Impact Fees to Kayla Mueller Helping Hands Park (Parks Development Impact Fee Fund)

Craig McConnell, City Manager, said the Kiwanis President showed the Council a conceptual site plan on February 2, 2016. At that time, they had raised funds to construct the playground, with the exception of a poured-in-place surface, compliant with the American Disabilities Act (ADA), for which the cost was estimated to be $51,000.00. Two Councilmember's asked that the item be placed on the current agenda to discuss the potential use of Park's Development Impact Fees for the expense.

Councilman Lazzell said he and Councilman Blair put the item on the agenda. It would be the first park to accommodate children with disabilities and would also act as a playground for families who may be in the area for a softball tournament. He said it was a worthwhile investment.

Councilwoman Wilcox thought it was a great project and would be a nice asset for the community, especially with the ADA component. She was happy that the City would consider letting the Kiwanis build the project on City land. As she recalled the discussion concerning the use of impact fees, she noted that a requirement was that the money had to be spent on a capital project. She asked what the constraints of the law were to use the impact fees.

Jon Paladini, City Attorney, said that impact fees were one of the more constrained funds. The expenditure of impact fees had to be tied directly to growth. Secondly, the expenditure had to directly benefit those who paid it. The third constraint was that the impact fees could not be used to correct a current existing deficiency. He recalled a master plan from 2005 that talked about a deficiency in playgrounds, or that there would be a deficiency in playgrounds as long ago as 2007 and as recent as 2012. His concern on spending impact fees on the current item was that he had not heard any factual basis to meet those tests.

Councilwoman Wilcox asked if the requirements he just mentioned, were new requirements in the most recent legislation. Mr. Paladini said, no, those requirements had been there for quite some time. He said impact fees were not tied to growth of tourism; they were tied to growth of residences or business.

Councilwoman Wilcox asked if it was his opinion that the City could not use park impact fees for the current purpose. Mr. Paladini said he had not heard a basis to justify the use. He said it was not a discussion on the worthiness of the idea. The expenditure of impact fees had to be supported.

Councilwoman Wilcox asked about using bed tax monies. Mr. Paladini said that was a little less restrictive, but said the money was supposed to be used for tourism marketing. He thought a portion of the desired funding could come from bed tax, if it could be established that the park brought tourists to the City.

Councilwoman Wilcox thought marketing to people with disabilities was not an area that the City had pursued, and she said they should. Mr. Paladini said the argument could be made that it was tied to recreation. He did not think that the City could exclusively pay for all of it with bed tax, because he thought there was a local element tied to it.

Councilman Blair said he recommended that the City give the impact fees back to the people they collected it from, because the criteria being used was bizarre. He suggested that the people who had purchased homes in the area pay it forward to the next generation. He said it was a worthy cause and he would like to see the City move forward.

Councilman Lazzell said the City doubled the size of Goldwater Lake in an area of town that was not seeing growth. He said growth was happening in Pinon Oaks, and they had not seen a new park since the ball fields were built. The current item was easily justified for the current growth.

Councilwoman Orr asked if the City could split the payment into half for tourism and half for impact fees. Mr. Paladini said if the growth had occurred since the annexed areas occurred, they would not pay impact fees. To establish a growth related expenditure, it would be done through a master plan.

Councilman Blair said it was an opinion of the Council that the use of impact fees were justified, so Mr. Paladini would need to come up with the ways to defend it.

There was a discussion regarding cause.

Mayor Pro Tem Lamerson said the Council needed to evaluate the intention of the park and whether it benefited a majority of people in Prescott. He said he did not think it was necessary to support memorial parks. He said he was not opposed to looking at something different than what was already in the City of Prescott. He did not want to start a tradition of building something every time something bad happened and added that he had not made up his mind on the issue.

Mr. Paladini said as a policy decision, the money could come out of the Parks and Recreation general fund budget. He said the Council could justify using a portion of the bed tax for a portion of the amount. He noted that it would be more difficult to use impact fees for the project.

Councilman Sischka asked what the return on investment was from the surface of the playground. Mr. Baynes, Recreation Services Director, said the traditional surface would be wood chips, which migrate and had to be replaced every year. The new surface would have to be blown off. He thought it also had a 20 year warranty.

Mr. Baynes showed a table from the 2007 Master Plan that identified playgrounds. In 2007 there were 10 playgrounds, which were needed. By 2012, the expected population growth would have called for another playground; however, the population growth did not happen as expected.

Councilman Blair said Pioneer Park was a regional park for additional growth to the North. Mr. Baynes verified that Pioneer Park continued to see more use.

Councilwoman Wilcox said maybe the Council was getting too over focused on what the ADA required and the special surface. She said the surface was there for all children and it would prevent a lot of injuries. She said the current General Plan identified a need for more neighborhood parks and play areas. The park being discussed would fill the neighborhood park type need, because there would be families already there and the kids would then have a place to go.

Councilman Blair asked if there was a surplus in the bed tax. Mark Woodfill, Finance Director, said there was a fund balance. Councilman Blair asked for staff to figure out how to fund the park and put it on the agenda for a vote. Mr. Woodfill said the ballot language for the bed tax included recreation development and tourism.

Mayor Oberg said the Kiwanis thought they could come up with the money without the use of City money and asked Gary Ballard what his opinion was regarding that.

Gary Ballard, Kiwanis Club, said they were hoping to do that. He said he hoped it did not take too long because they wanted the park ready by May or June.

Mayor Oberg thought the bed tax funding would be appropriate. He was concerned about going against the City Attorney's advice to use the impact fees. He said the City was giving the land for the park and would maintain it in perpetuity and the City looked at the park as an asset.

Mr. Ballard said they appreciated the City's efforts.

Mayor Pro Tem Lamerson said he agreed with the Mayor that it might be better to leave the project with the Kiwanis Club.

Councilwoman Wilcox asked if it would be helpful for the City to provide some type of matching funds for his project. Mr. Ballard said he was not asking for that large of a match. He said he had $176,000.00 in the bank and just needed a little more. He said they would appreciate any help, from wherever it came.

Councilman Sischka said his first reaction to hearing that they needed $50,000.00, was that it would dilute the private effort. He said he did not have a problem working it out with him and he felt there were many people who would donate to the park, who had not been contacted.

Mr. Ballard said that because of the auction the Kiwanis Club did annually, the committee decided that they would seek funds outside of the community for the current project.

Councilman Sischka said he did not compare the two events. He would like to see the Kiwanis foot the entire bill for the park.

Mayor Oberg asked if staff could start looking at portioning some of the bed tax for funding of the park.

Councilman Blair asked when the item would come back on an agenda. Mayor Oberg suggested a couple of weeks.

C. Legislative Update

Alison Zelms, Deputy City Manager, presented. She said it was the 37th day of the session and 1,219 bills had been submitted to the legislature.

Ms. Zelms said HB 2107 did not make caucus, so Barry Aarons was working hard on it. The three bills related to pension reform passed out of the house with small amendments and out of the senate. Those bills would be on the Governor's desk in time for the Senate concurrent resolution that placed the ballot measure on the ballot.

The pension contribution bill was going to be heard that week.

There was a change to the municipal tax exemption residential use, which would currently impact the City of Prescott if it moved forward, as amended. The amendment changed when the residential rental tax could be applied and would require that it only be applied if an individual had three or more residential units within the corporate boundaries of the City. The sponsor of the bill said it was his goal to eliminate residential rental all together, which was nearly $1.4 million of revenue to the City.

Prime contracting classification legislation stalled in committee. There may be some amendments. There was a move in the contracting community to try to push all contracting cost to point of sale. Ms. Zelms said for a City like Prescott, which did not have a lot of sales activity for construction; it could have a devastating effect on the $2.5 million the City collects annually.

Ms. Zelms said SB 1487, SB 1524 and HB 2598 would have a lot of impact as to what the City would be able to levy as far as local ordinances for regulation. It would also provide opportunities for revenue loss. SB 1487 would allow any member of the legislature to contact the Attorney General and alert them to an ordinance in the City of Prescott that they thought violated the state law. If it did violate the law, the State Treasurer could withhold state shared revenue, which was 33 percent of the General Fund. SB 1524 had similar concerns, as far as not being able to have regulatory burdens on a person if there was not already state law allowing regulation. It talked about business providers who provided goods or services directly to customers. HB 2598 would allow any individual to request a refund of their use tax from the City, rather than from the vendor they paid it to.

Ms. Zelms continued with HB 2517 – Businesses; Professions; Regulation Restrictions, had an amendment made on the floor that related to the formation of LLCs and partnerships. The narrowing of the bill with the current amendment was less concerning to the City of Prescott.

She noted that HB 2549, HB 2300 SB 1266 and SB 1257 were all related to local control. HB 2549 would not allow the City to specify certain piping material types on projects. The remaining bills came up every year.

Councilman Lazzell asked about HB 2517. Ms. Zelms said it created a gray area in the law about what the City could regulate.

Jon Paladini, City Attorney, said when the legislature referred to health, safety and welfare on a local level, it referred to the city's police powers. The state usually won when it stepped in and preempted the field.

Councilman Lazzell asked about SB 1257, and if the City could allow guns to be carried in City Hall. Ms. Zelms said they could allow it, and if they did not want to, the City would have to man each door with screening devices.

Ms. Zelms continued and said HB 2666 had nothing wrong with it and the bill would consolidate a variety of statewide agencies under the Arizona Finance Authority. One of them was the Water Infrastructure Finance Authority (WIFA). The City had done many projects with WIFA loans and the City would want to make sure the interests of water providers were represented on the new consolidated board.

Ms. Zelms added that HB 2583 would require that all meetings of public bodies by audio/visual recorded, including executive sessions and that the recording be posted within 24 hours of the meeting.

Councilman Blair asked when the Council should instruct the City Attorney to meet with Mark Brnovich to remind the state that the City of Prescott was a chartered city.

Mr. Paladini said the Attorney General's role was to enforce laws and defend challenges. He was far removed from playing politics with law. Mr. Paladini said when it came to local control and preemption by the state; there were two lanes they fell into. One was issues of strictly local interest, like charter city elections. The charter cites usually had independence from what the state said had to be done. The other area was police powers, like zoning, health, safety and welfare issues. He said those powers were derived from the state. The charter did not give the city police powers and added that it would be at the direction of the City council to proceed with a lawsuit on a particular bill.

Mayor Oberg asked for public comment and there was none.

D. Requests for information re the February 16, 2016, Voting Meeting agenda items

Mayor Oberg asked if anyone had any questions on the voting meeting agenda for that evening.

Mayor Oberg asked about three heavy-duty trailers and asked if the third trailer would come up at a different time.

Stephanie Miller, Field and Facilities Director, said the first trailer was purchased under an emergency procurement a month ago.

Mayor Oberg asked how many backhoes the City owned. Ms. Miller responded that there were 13 in the fleet and they would put them in a motor pool situation to see if that many were needed.

Councilwoman Wilcox asked about the sales tax for the trailers. She said she would like to see a bill that would exempt municipalities from paying sales tax on those items.

II. ADJOURNMENT

There being no further business to be discussed, the Study Session Meeting of February 16, 2016, adjourned at 2:28 p.m.

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HARRY B. OBERG, Mayor

ATTEST:

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DANA R. DeLONG