City of Prescott

City Council - Study Session

February 27, 2024 | 1:00 PM
201 N Montezuma Street
City Council Chambers, 3rd Floor
Prescott, AZ 86301

MINUTES

1. CALL TO ORDER

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

2. ROLL CALL

Phil Goode - Mayor
Connie Cantelme - Mayor Pro Tem
Lois Fruhwirth - Councilwoman
Ted Gambogi - Councilman
Brandon Montoya - Councilman
Eric Moore - Councilman
Cathey Rusing - Councilmember

3. DISCUSSION

A. Presentation & Discussion Regarding an Overview of the City's Communications, Economic Development and Tourism Office.

Community Outreach Director John Heiney provided a presentation to Council regarding the Economic Development and Community Outreach Department of the city. He also introduced his department staff, Tourism Manager Cristina Binkley and Sales & Marketing Manager Mike Kelly, to provide an overview of what the department handles including Community Outreach, Economic Development and Tourism.

<u>Overlapping Goals for Community Outreach, Economic Development & Tourism:</u>
* Sustainability and balance
* Prideful protection
* Happy & healthy communities
* Impactful partnerships

<u>Community Outreach:</u>
* External and internal communications for the city; the objective is to enhance the image and to make sure that stakeholders are well-informed. These communication efforts cross all media (print, broadcast, electronic and social media)
* 18,335 Facebook followers, 6,621 Instagram followers, 710,882 YouTube followers, and 1,462 LinkedIn followers
* Efforts - central point of contract for media requests/assure the release of accurate information from the city, consulting with City Manager/elected officials/department heads on media inquiries and strategy, working with elected

officials and city departments to coordinate press releases and other public information, assisting the Mayor and elected officials to submit monthly letters to the editor in three publications, and coordinate paid radio PSA campaign for six stations throughout the year
* Internal Service Charge - advertising, office supplies, community access, subscriptions and memberships and other services
* Trends & Opportunities - digital media and short form content; in-house content creator, social media manager, social pinpoint, and branding consistency

Branding Consistency:
* 15 websites that represent city services
* 32 social media accounts
* Combined audience on social platforms - 61,457 (current largest audience 18,000)

Economic Development Overview:
* Influence growth and restructuring of an economy to enhance the economic well-being of community through policies and proactive planning
* Areas of Emphasis for Prescott - light manufacturing, supply chain companies, warehouse and distribution, aerospace/defense, aviation, retail, high tech, cybersecurity, higher education, medical and tourism
* Build relationships with property owners, local businesses and real estate professionals
* Follow up with leads from the state
* Assist with site selection
* Create & provide tools and resources
* Business retention expansion (BRE) visits
* Business Unusual campaign continuation

Councilman Gambogi asked how many leads come from the state and then land.

Mr. Heiney responded that in seven years one lead from them has stuck, CPTechnologies. The vast majority come from word of mouth and relationships with local partners because they are more in touch with what we need and what fits here in Prescott over from the state. Making a recommendation for a dedicated person to market and "sell" Prescott to help with that as well.

Mayor Pro Tem Cantelme asked about the benefits of a business license program.

Mr. Heiney responded that it is a common practice in other jurisdictions and there is often an expectation that we will have that. While there are many tools in place now that there may not have been previously it would be beneficial for us to have that.

Trends & Opportunities:
* Trends
    - Remote work and flexible schedules
* Opportunities
    - Tech and innovation; strategic plan and a dedicated Economic

Development Specialist
* Annual Budget of $163,000 funded through the General Fund covering subscriptions/memberships, advertising, other services, and internal

Councilwoman Fruhwirth asked for staff's perspective on greatest weaknesses and threats in this space.

Mr. Heiney responded that some of these things have changed over the last seven years, particularly the cost of living. Improving our workforce would be really critical.

Ms. Binkley continued the presentation with a discussion regarding how tourism impacts Economic Development.

Impacts:
* Sustains businesses (hotels, venues, restaurants, retailers, museums and other attractions)
* Desirability improves property values and encourages local investment
* Creates tax revenue to support public improvements
* Improves quality of life

Tourism Overview:
* Attract visitors to Prescott and enhance community's quality of life by inspiring a love and respect for our natural beauty, rich history and hometown atmosphere
* Non-member based Destination Management/Marketing Organization (DMO)
* Responsible for promoting an area as an attractive travel destination and enhancing the public image
* Develops long-term travel and tourism strategy for the destination
* Creates marketing and PR campaigns
* Creating tax revenue that benefits the community
* Improve quality of life
* Promote the destination as a whole and not just a sector
* Bed Tax Overview - visitors pay 3% Transient Occupancy (Bed) Tax, state collects the tax, state pays the city of Prescott, DMO uses 75% of the funds for marketing to attract more visitors, funds may also be used for capital projects/recreation services/destination management, Bed Tax also contributes to grants/special events/community attractions, contingency set aside for continued destination support, whole community benefits, DMO efforts draw visitors to Prescott and then the cycle begins again
* Travelers to Prescott spend an annual average of $205 million on lodging/food & beverage/retail/entertainment and local transportation with an impact of $300 million in economic impact statewide; tourism dollars generate $101 million in labor income or payroll in Prescott supporting more than 3,200 local jobs
* Paid for by tourism dollars - downtown parking garage maintenance, downtown kiosk maps and courtesy cans, special events, Whiskey Row Alley archways, pickleball court restrooms, Constellation Trailhead restrooms, skatepark, Prescott High School tennis courts, portable band shell, Kayla's Hands playground, Lower Goldwater Lake and improvements at Watson Lake Park, Granite Creek Park, Pioneer Park, Heritage Park and Ken Lindley
* Annual Budget of $1.2 million funded by visitors with $587,000 to destination

support and $275,000 to internal support
* Review of Transient Lodging (Bed) Tax Collection which has been steadily increasing since FY2019

Mayor Goode asked how hotel occupancy rates are holding up.

Mr. Heiney responded that there are three key indicators for tourism including occupancy rate, average daily rate (ADR) and RevPAR. Current occupancy in the region is negative 5% year over year, it is likely that rates will be adjusted to address that decrease but it is not anything to be concerned about and there is still a demand for more hotel rooms.

Mayor Goode stated that he feels there should be a Regional Rural Tourism association that can focus on marketing plans for similar areas to ours.

Mr. Heiney added that NACOG is working on something like that and the city will always advocate for that.

<u>Trends & Opportunities</u>
* Trends
    - Digital Media and short form content
    - Diversity, equity and inclusion
    - Sustainability
* Opportunities
    - Expanding accessibility opportunities

Mayor Goode commented that Prescott is known as a premier eco-tourism destination and he feels that will only be enhanced with the Regional Park and asked how best to attract the right kind of retailers for our area, similar to an REI or Sportsman Warehouse.

Councilmember Rusing concurred and asked if REI looked at Pineridge Marketplace and if staff is working with the owner there for opportunities.

Mr. Heiney responded that retailers do comprehensive searches and work with Commercial Real Estate professionals, for REI their conscious capitalism would lend them to the Frontier Village Area. With that being said, the new owner at Pineridge Marketplace is being very proactive with City staff on these efforts and it will also be a focus in the Economic Development Strategic Plan.

Councilman Gambogi asked if there was a pie chart that segmented tourism for specific events versus coming up for an extended stay just to see the area etc. what would that look like.

Mr. Heiney responded that there is geofencing software that can tell us what they are coming for, how long they stay, if they live here etc. and this is utilized for special events and weekends. Day-trippers are technically 90 miles or less away, and there is a breakdown of this in the data collection as well.

Councilman Moore echoed comments regarding increasing tourism and ecotourism without it being too much so that it becomes detrimental to the community. Clean tourism like hiking, etc. are beneficial with minimal negative impacts.

Councilwoman Fruhwirth stated that she hears they need an Economic Development Manager, continue funding and creation of an Economic Development Strategic Plan.

Mr. Heiney thanked her for the question and said they will have everything they need to get them started.

This item was for discussion only, no formal action was taken.

B. Midyear Budget Report for FY2024.

Finance Director Mark Woodfill provided a presentation to the Council regarding the FY24 mid-year budget report and a FY25 budget preview.

FY25 Budget Considerations:
* Legislative attacks on cities revenues
* Reduced state shared revenue
* Continue funding employee market compensation plan
* Funding for airport capital
* Public safety expansion needs
* Water and wastewater capital
* Other capital - Granite Dells Gateway Park, North Prescott Library

Mayor Goode asked about any potential for food tax being taken away at the state level.

Interim City Manager Tyler Goodman responded that, luckily, he has not heard of anything being proposed.

PSPRS Unfunded Liability Tiers 1 and 2:
* Funding ratio as of FY2023 - 97.6% in comparison to 30.1% in FY2017

Taxable Activity by Category:
* Retail Sales - 62.2%
* Construction - 9.4%
* Residential Rental - 4.5%
* Utilities - 4.1%
* Online Retail Sales - 3.9%
* Commercial Rental - 3.2%
* Rental of Personal Property - 1.9%
* Hotels & Motels - 2.3%
* Restaurants & Bars - 6.9%
* All other businesses - 1.6%

Taxable Activity Report:
* FY24 $1,270,919,056 down 1.81% from FY23
* Bed Tax - likely about $1.5 million which is expected

FY24 General Fund Operating Revenues:
* Local 1% Privilege Tax - 47.3%
* Share of State Revenues - 41.9%
* Property Tax - 5.4%
* Franchise Tax - 4.2%
* Other - 1.2%

FY24 General Fund Operating Expenditures:
* Police - 40.6%
* Fire - 33.7%
* Recreation Services & Facilities - 8.8%
* General Government - 6.6%
* Library - 5.6%
* Community Development - 1.3%
* Operating Transfer - 1.4%
* Debt Service Contingency - 2.1%

Councilman Moore asked if any department has done any analysis to see if we had annexed any particular areas what that would bring into the city.

Mr. Woodfill commented that this is done regularly, but the issue with an existing area is the infrastructure is not up to city standards. Where the benefit comes is when you annex vacant land where there will be development because you control the infrastructure that will come in.

Mayor Pro Tem Cantelme asked how shared revenues are calculated.

Mr. Woodfill said - property tax with a 2 year lag based on the census, portion of the state shared sales tax current year/fluctuates, and vehicle license tax/gas tax.

Preliminary Public Safety Needs:
* $100,000,000 - portion funded through impact fees, general fund or other revenue source for relocation/remodel and new fire station and was as police department capital needs. Expenses can be financed and paid over time through taxes and bonds, etc.

Year-to-date Expenditures:
* FY24 Budget today $258,135,559 expended as of 12/2023 is $88,857,581
* General Operations YTD spent 46.6%

Councilmember Rusing asked if staff is comfortable with debt ratio and asked Mr. Woodfill to review the city's debt.

Mr. Woodfill responded that he will need to pull specific information and provide that to Council, this information is part of the annual reports provided to the Council. He added that in addition to the WIFA loans and bond issues, there is an internal loan relate to the Montezuma Street City Hall. These are general terms because he doesn't have the specific numbers. He is never comfortable with debt, and this will be part of the utility rate study.

YTD Revenues:
* 45.1% for Non-operating revenues
* 55.3% operating revenues

YTD Expenditures:
* Non-operating Expenses - 46.6%
* Operating Expenses - 33.3%

Mr. Woodfill provided a general overview of the budgeted fund balances. These are all based on the policies that the Council adopts, the budget is structured based on Strategic Plans and Council policies.

FY25 Budget Process:
* Council Budget Workshops (May 9, 16 and 23 if necessary)
* Adoption of Tentative Budget in June
* Publish Budget and Notice of Hearing in June
* Final Hearing and adoption of final budget in June
* Set property tax in July

Councilmember Rusing asked if we will be able to keep the tax rate or if we will have to have a tax increase.

Mr. Woodfill responded that it depends on what Council feels is necessary, but any increase will have to be voter approved so we will remain where we are until the voters say we will not.

This item was for discussion only, no formal action was taken.

4. ADJOURNMENT

There being no further business to discuss, Mayor Goode adjourned the meeting at 2:31 p.m.

PHILIP R. GOODE, Mayor

ATTEST:

SARAH M. SIEP, City Clerk

CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Voting Meeting of the City Council Voting Meeting of the City of Prescott, Arizona held on February 27, 2024. I further certify the meeting was duly called and held and that a quorum was present.

Sarah M. Siep, City Clerk