



# City of Prescott

## City Council - Study Session

May 7, 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 (Excused)  
Brandon Montoya - Councilman  
Eric Moore - Councilman (left meeting at 1:30 p.m.)  
Cathey Rusing - Councilmember

#### 3. DISCUSSION

##### A. Presentation & Discussion Regarding Land Acquisition Around the Prescott Regional Airport.

Interim City Manager Tyler Goodman introduced the item regarding land acquisition surrounding the airport. Today's discussion will mostly center around Deep Well Ranch land. He stated that Dibble President Charlie McDermott and Interim Airport Director Kelly Fredricks would be beginning the discussion.

Mr. Fredericks addressed the Council regarding airport land acquisitions. He pointed out that land acquisitions are being done for the protection of approach zones and not for the runway extension project. Only the AED parcel relates to the runway extension project. These purchases do impact the Airport budget and the ability to fund other projects. They'll begin their annual consultation project with the FAA in July. Direction and guidance from the Council would be greatly appreciated for those reasons. The runway extension is a capacity project and likely funding for the project in support from the FAA and other agencies would be less likely.

Mr. McDermott continued the presentation regarding the purpose of land acquisitions.

##### Why Acquire Land:

- \* FAA Grant Assurance 21 - compatible land use
- \* One Engine Inoperable (OEI) Departure Splay
- \* Allows for unconstrained commercial service
- \* Airport Impact Zones (1-6)

- \* Reduced noise impacts
- \* Protect and preserve safety

Land Acquisition Timeline:

- \* September 2022 - commencement of appraisal process
- \* January 2023 - revised takings and additional appraisals
- \* June 2023 - revised takings and additional appraisals
- \* July 2023 - revised takings and additional appraisal
- \* July 2023 to current - acquiring parcels
- \* Construction Projects - CVID Parcels 61.43 Acres (borrow source for runway extension)
- \* Approach Protection and Compatible Land Use
  - North Ranch: 75.83 acres
  - South Ranch: 84.43 acres (pending)
  - AED Parcel: 131 acres (pending)

Councilmember Rusing asked if this is the last of the land that will need to be acquired.

Mr. McDermott responded that this will be all of the land that would be part of the Airport Layout Plan.

Land Acquisition Costs:

- \* CVID - \$850,000 (closed)
- \* North Ranch - \$8 million (closed)
- \* South Ranch - \$10 million (pending)
- \* AED - pending (anticipated at approximately \$3,000,000)
- \* Total costs - \$21,850,000 approximately

Mr. McDermott continued with a review of a map with plots for all reported accidents and incidents via public information provided by NTSB.

Councilman Montoya asked how far back this goes.

Mr. McDermott responded it goes back to approximately the early 1980s and many are right on or alongside the runway.

Mayor Pro Tem Cantelme stated that she went to the NTSB website and saw that there were 168 crashes since 1964. She commented that people don't think there are many within the crash zones which is true, but even one could be catastrophic.

Mr. McDermott stated that they could go further back if the Council would like. Impact Zones are developed from where crashes are most likely to occur based on crash data throughout the US.

Councilwoman Fruhwirth asked about the crash in 2023 and if it is the one that landed in the field, she also asked how much of the "whys" are new and were they just ignored in the past.

Staff confirmed regarding the 2023 crash and Mr. McDermott commented that the OEI Splay is connected to commercial airline activity so if there was not commercial service at the same level the OEI would not have been applicable.

Councilmember Rusing stated that this is a zoning issue, the Council is trying to fix a problem that was created several years ago.

Councilman Montoya asked if the runway extension were to proceed and a different airline came in here what would that OEI Splay look like, would an airline modify their splay based on the land use surrounding the airport.

Mr. McDermott responded that splays do depend upon the airline and how that might impact their business. They wouldn't modify their splay but they may modify their operations and services.

Councilmember Rusing asked about environmental assessments on the unpurchased properties.

Mr. McDermott stated that he has not done these yet because he needs clear determinations regarding what land is going to be purchased and where the funding will be coming from.

Mayor Pro Tem Cantelme asked if the fire service planes are the heaviest leaving the airport.

Mr. McDermott confirmed, he added that pavement strength impacts whether they can take off full or not.

Councilwoman Fruhwirth asked if there would be an expectation that homes be below 15 feet prior to 2019.

Mr. McDermott stated that they would be required to do an airspace analysis.

City Attorney Joseph Young added for the FAA's 7460 process, anyone within the zone has to go through the process, but the OEI Splay is only done through zoning so that is different. Most of this isn't a question of liability for the city but the airline itself, otherwise they have to change their operations.

Mayor Goode stated that height restrictions were known when the DWR Master Plan was approved in 2017, however, the agreement allowed the administrator to determine if civic uses could be placed in those areas.

Councilman Montoya asked if the OEI Splay is used by other carriers.

Mr. McDermott responded that it is commercial service, things like the Forest Service slurry bombers would not use them.

Airport Impact Zones:

- \* FAA Advisory Circular (AC) - Land Use Compatibility Planning
- \* Zone 1 - Runway Protection Zone

- \* Zone 2 - Inner Safety Zone
- \* Zone 3 - Inner Turning Zone
- \* Zone 4 - Outer Safety Zone
- \* Zone 5 - Sideline Safety Zone
- \* Zone 6 - Traffic Pattern Zone

Available Funding & Sources:

- \* FAA Funding Available
  - Current Entitlements: \$3,052,233
  - CDS Senator Kelly's Office: \$3,000,000
  - FY25 Entitlements: \$1,018,700
- \* State Funding - ADOT FY25 (secured) \$3,100,000
- \* Total Funding Secured (FAA & State) - \$10,170,933

Councilwoman Fruhwirth asked what impact airport operations and capital plans will have with these land purchases. She worries that the airport will degrade in order to invest in land.

Mr. Goodman responded that generally speaking entitlements are just that, entitled, and typically go toward capital projects at the Airport, so if they are used for land acquisition funding for those would need to come from the General Fund. Money from ADOT and funding from Senator Kelly's office is specific to land acquisition.

Councilmember Rusing stated that her understanding is the FAA will fund a portion up front and then more later.

Mr. McDermott responded that land acquisition is funded after the acquisition, it functions as a reimbursement. Won't reimburse until after the property closes.

Mayor Pro Tem Cantelme asked if staff is actively seeking more funding and how does the FAA adjust their grant when there are issues with appraisals.

Mr. McDermott stated that if there is a parcel that ends up being a smaller amount that is purchased then the report would be adjusted in order to determine the appraised fair market value that is what the FAA would reimburse to. For FAA the city is eligible for only a specific type of grant which is the only type available, however, congressional directed spending could be extra. We have been cautioned not to apply for discretionary grant funding by the FAA because it is priority list for the whole country, and this is a very low priority for them.

Councilman Montoya echoed Councilwoman Fruhwirth's comments regarding capital improvements at the airport, including the runway extension in particular. His impression is that the entitlements are driven by commercial air service, if the extension has to be put off and commercial air service pivots toward larger plans there would be OEI protection for a splay that doesn't exist in the city of Prescott. Have to look at prioritization around the airport. Had been under the impression that 95% funding would be received for that and it is actually the fact that it'll only be 50-75% at best. He worries that there are just too many irons in the fire here.

Mayor Pro Tem Cantelme stated that she disagrees with Councilman Montoya, cannot be pennywise and pound foolish right now. Need to start this process, number one on her list is safety.

Councilmember Rusing said this is about public safety.

Mr. Fredericks commented that the reality is that the city is in a financial pinch, anticipated funding for the runway extension project is substantially less than the Council initially understood and this is placing a burden on the city and their airport. All of this is tradeoffs, best case scenario the runway may receive 75% funding. There is a lot of strategy that should have gone into this, this is a small budget airport with big ideas. The FAA does not mandate the acquisition of this property, they ask for reasonable efforts to protect the Airport.

Mayor Goode asked if the Council proceeds with these acquisitions and look at Zones 4 and into Splay later does that reduce the FAAs likelihood of reimbursing.

Mr. McDermott responded that it will depend on where the parcels are. There is a line that represents the limits of where land is no longer eligible for FAA funding but the state is slightly more generous with their definition of protection. As long as FAA knows what the plan is there wouldn't be a penalty so to speak.

Mr. Young continued the presentation.

Major Questions:

- \* Do you want to acquire properties in South Ranch
- \* Do you want to acquire the currently identified properties

He reviewed the map with prices for various parcels. In Zone 2 trying to protect from development of churches, housing in Zone 4 and the OEI Splay.

Two Possible Deal Options Discussed:

- \* Comprehensive Settlement Agreement including annexation of 600 acres north of current city limits or a Simple Purchase & Sale Agreement of specified properties
- \* Comprehensive Deal Points - \$10 million for all properties, certain properties donated to the city, annexation of northern 600 acres, city to reimburse for sewer and water extension (recoverable through impact fees in 10 or more years), city to build and maintain trails, city reimburse for costs of streets through acquired properties, DWR allowed to use 27 acres for parking/parks/drainage, city waives annexation costs, significant liquidated damages, master plan still applies and 100 acres of annexed property to be open space (in addition to 199 included in the Development Agreement & Master Plan)
- \* Purchase & Sale Agreement - simple cash for property transaction, property assessed at \$13,535,550, DWR requesting city provide offer to purchase for appraised value prior to condemnation

Annexation Pros vs. Cons:

- \* Pros - water use and number of units do not increase, allows city control of land use and water, increases revenue through state shared revenue, decreases



overall density, moves density away from airport, allows development of YRMC north parcel, agreement to amend DA adjacent property clause, agreement that North Ranch acquired properties not to be used for residential and lowers purchase price

\* Cons - current offer includes obligation to extend water/sewer infrastructure, may hasten development of annexed property

Councilmember Rusing commented that she is against annexing the 600 acres and believes there is no benefit to the city. DWR is larger than Anthem so why would we annex another 600 acres for more urban sprawl. This is a public safety issue.

Councilman Montoya commented that if the Council is going to ask the tax payers for an increased tax, land acquisition makes no sense. Understands the necessity but prioritizes the runway extension over the land personally, if we are asking them to fund for additional safety the public will see putting General Fund funding toward the Airport instead of other areas. He asked the City Attorney to address the 100 acres for open space in the comprehensive agreement.

Mr. Young responded that the 100 acres will be in the annexed acreage, under the DA 199 acres has to be set aside for airport protection space half of which is airport protection. The original open space requirements still remain in effect.

Councilwoman Fruhwirth commented that there are always prioritization, in the South Ranch she cannot see the city successfully selling a tax increase while we spend \$10 million dollars on land. Police and Fire is where she will prioritize number 1, the future of the airport depends on the AED land acquisition and the runway extension is number 2, number 3 is the Zone 1 and 2 for purchase as it is where the crashes have been. If this is going to be a regional airport the city cannot handle this all on our own, need to form a Regional Airport Authority, cannot keep carrying this all on our own. She doesn't want to buy all this land right now.

Mayor Pro Tem Cantelme asked if staff has looked into creating a Regional District for the Airport. The city has shouldered the weight of this airport on its own for too long. The community does not want to give up the commercial air service and wouldn't the money have to be given back.

Mr. McDermott responded that any grants issued toward national airspace commercial service would likely have to be given back.

Mr. Young stated that based on direction of Council, staff has not requested right of first refusal, but if they direct it we can. Regarding a special taxing or airport authority, his department has looked into it. Council has requested previously, and the information they found was that it is very difficult and would either require a voter initiative or other agencies to step up and do it without that. As it relates to Authorities within the state it is covered primarily by military so there is not a statutory mechanism to do it locally. Landing fees could be attributed if that is something the council wanted to do as well.

Mr. Fredericks added that the Airport fee structure is very competitive, as it relates to commercial service, airports can do a passenger fee which we cannot do until we no longer receive the \$6 million annual subsidy for commercial service.

Mayor Goode stated that there is \$6.1 million available to acquire land and could tap into that funding source to address getting some of these critically identified areas. \$6.2 million in Zone 2, and parcels 6, 4, 5, and 8 (as depicted in Mr. Young's map) would be donated if the annexation is approved.

Councilwoman Fruhwirth stated she looked at Zone 1 and Zone 2 (Parcel 4, 3, 5, and 7) and those five parcels add up to just over \$5 million and \$3 million for AED with some money for airport operations.

Mr. Young commented that Parcel 6 has a low valuation and could not be developed, parcels 4,3,5 are allowed for civic uses (churches are one).

Mayor Goode stated that doing it in this way would give Council the opportunity to convey the importance of the public safety tax.

Mr. Woodfill reminded the Council that they have already spent \$8 million on land acquisitions.

Councilmember Rusing addressed the 199 acres of open space required in the original DA.

Mr. Young responded that it does apply to some of that, there is no "donation" there is 199 acres set aside for airport protection, half open space and half to airport protection. Applies on both the north and south side of the runway, left unclear where it would be within the development specifically.

Mayor Goode said he is flummoxed and not sure how or where to proceed with this. This is extremely complicated for the city's long term financial stability. He asked if the \$8 million already spent applies to the \$6 million eligible for reimbursement.

Mr. Woodfill confirmed and added that at a minimum \$2 million for that purchase would need to come from the General Fund.

DWR and James Family Foundation Attorney Stephen Polk addressed the Council and stated that they are flummoxed at this point as well. In March 2022, over two years ago this group has already met with the city to get time to figure this out and they all agreed to do that. It has been two years where there hasn't been any development at all, you can't reasonably expect that this land will still be vacant in two additional years. The proposal from November 2023 was the Comprehensive Agreement which they felt comfortable with. Has the utmost respect for what the Council does, but this proposal is a good one that will prevent sprawl. They already have the water entitlements and are allowed to build the homes. Relocating the density came from the former Airport Director. Most of the noise is from Embry Riddle Flight students, an annexation would

benefit that as well as the proposal for a YRMC north campus. Mr. Young discussed the fact that the Council is the first step for condemnation and purchase of property at appraised value, and it has been 2 years with nothing happening. It is up to the Council to determine how they'd like to proceed. Also reminded City Council that a year and a half ago there was one key public safety issue regarding schools/churches and the James family voluntarily relinquished the right to develop that despite having the ownership rights to do that.

Mayor Pro Tem Cantelme thanked Mr. Polk for his comments, she stated that the intent was different in the beginning than it is today. She isn't personally against the annexation, however, she feels it has to be fair to the taxpayer and listed off the items that she feels aren't fair. Wants to see a breakdown of the actual costs of all these things.

Mr. Goodman responded that staff has looked through the aggregating of costs and compiled the information.

- Utilities: \$6.4 million for sewer, \$3 million for water
- Annexation \$25,000 in fees
- \$23,000 in Planning & Zoning Fees
- Cattle fencing doesn't tip the needle in any particular direction either way

Mr. Young stated that the annexation for the city is cheaper except for the water and sewer which makes it more expensive.

Councilman Montoya stated that he appreciates Mr. Polk's time but he is not in favor of either option. He will not go to voters and ask the for increased taxes while at the same time move forward with land acquisitions that will take General Fund monies for airport capital projects. He was against the purchase on the north side, the only one that made sense to him was CVID, and would be comfortable with AED if there is an opportunity to make that work. The Council needs to be good stewards of this otherwise many more things are going to suffer.

Councilmember Rusing stated she resents the hospital being leveraged to extract money from the city. She feels that a campus in this area makes no sense at all, if they wanted to serve the community they would build in Chino Valley. She also asked if the property owner would carry the note personally to be paid back over time.

Mr. Polk responded that earlier in the discussions that proposal was offered, but doesn't know about now. If there is a desire for the Council to make an offer and request that they should move forward with that option.

Mayor Pro Tem Cantelme stated that she would love to explore that, and asked Finance Director about selling of other lots and city property. She stated that she recalled Council directed staff to sell the "W" parcel and what the status was of that.

Mr. Woodfill responded that the "W" parcel is a city owned parcel, a portion of which was sold to FedEx with another portion remaining in acreage. It is not



subdivided and there is no through-the-fence agreement and all of that would impact the sale and value of the property. That would be general fund money, that could be used for whatever the Council wanted to use it for whether that is a Fire Station or land around the airport.

City Clerk Sarah Siep responded that the direction from Council in an Executive Session was to have staff look into what the sale of the property would look like, etc there was no direction related to how any funds received from a potential purchase would be used.

Mayor Pro Tem Cantelme stated that she would like to have a CMA done for the property.

Member of the public Sherrie Hanna addressed the Council stating that she doesn't even know where to start. Back in 2017/2018 10,500 homes were projected to be developed, when this was done they are entitled to police and fire protection which is a safety issue. At that time arrangements should have been made with police and fire which obviously wasn't done. She has known the James Family for many years, nobody else has contributed to our community and the youth of our community like they have, but we are seeing more phases of developments within the city and Police/Fire Chiefs have been telling the Council that because of this they are having to do more with less. Prioritizing police and fire has been the longest overdue. There is a lot on the table, but for public safety that should be number one.

Councilwoman Fruhwirth asked about the North Ranch purchase and a lawsuit against the engineering firm who did the maps. She thought we were "highly likely" to receive damages out of that and could these funds be used toward land purchases.

Mr. Young responded that the city is currently in a lawsuit with them, however, he stated that he has not and would not use the term "highly likely" regarding receiving funding related to that lawsuit.

Mayor Goode stated that the Council has investigated a lot options today, but there is still additional information to be received before they can move forward in any direction.

**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 3:04 p.m.



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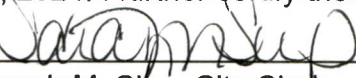
PHILIP R. GOODE, Mayor

ATTEST:

  
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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 May 7, 2024. I further certify the meeting was duly called and held and that a quorum was present.

  
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Sarah M. Siep, City Clerk

