City of Prescott

City Council - Special Study Session

February 3, 2026 | 1:00 PM
201 N Montezuma Street
Council Chambers, 1st Floor
Prescott, AZ 86301

AGENDA

The following Agenda will be considered by the **Prescott City Council** at its **Special Study Session** pursuant to the Prescott City Charter, Article II, Section 13. Notice of the meeting is given pursuant to Arizona Revised Statutes, Section 38-431.02. One or more members of the Council may be attending the meeting through the use of a technological device.

Viewing & Participation

This meeting may be viewed on Channel 64, Facebook Live or on the City's website: City of Prescott Live Meeting Feed
Public comments for Council may be submitted through the City website: Public Comment Form

1. **CALL TO ORDER**
2. **ROLL CALL**
3. **DISCUSSION**
   A. Presentation, Discussion & Consideration Regarding a Follow-Up to the January 20&21 Strategic Planning Workshop Meetings and Forecasted Meeting Schedule for 2026.
   B. Presentation & Discussion Regarding Debt Funding Options for Utility Projects Identified in the 2024 Rate Study.
4. **ADJOURNMENT**

Upon a public majority vote of a quorum of the City Council, the Council may hold an executive session, which will not be open to the public, regarding any item listed on the agenda but only for the following purposes:

(1) Discussion or consideration of personnel matters (A.R.S. §38-431.03(A)(1));
(2) Discussion or consideration of records exempt by law (A.R.S. §38-431.03(A)(2));
(3) Discussion or consultation for legal advice with the city's attorneys (A.R.S. §38-431.03(A)(3));
(4) Discussion or consultation with the city's attorneys regarding the city's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation, or in settlement discussions conducted in order to avoid litigation (A.R.S. § 38-431.03(A)(4));

(5) Discussion or consultation with designated representatives of the city to consider its position and instruct its representatives regarding negotiations with employee organizations (A.R.S. §38-431.03(A)(5));
(6) Discussion, consultation or consideration for negotiations by the city or its designated representatives with members of a tribal council, or its designated representatives, of an Indian reservation located within or adjacent to the city (A.R.S. §38-431.03(A)(6);
(7) Discussion or consultation with designated representatives of the city to consider its position and instruct its representatives regarding negotiations for the purchase, sale or lease of real property (A.R.S. §38-431.03(A)(7)).

CERTIFICATION OF POSTING OF NOTICE

The undersigned hereby certifies that a copy of the foregoing notice was duly posted at Prescott City Hall on 1/29/26 at 1:30 p.m. in accordance with the statement filed by the Prescott City Council with the City Clerk.

Sarah M. Thornhill

Sarah M. Thornhill, City Clerk

TO:	MAYOR AND CITY COUNCIL
AGENDA:	February 3 Special Study Session
DATE:	February 3, 2026
DEPT:	City Clerk
ITEM #:	3.A
SUBJECT:	Presentation, Discussion & Consideration Regarding a Follow-Up to the January 20&21 Strategic Planning Workshop Meetings and Forecasted Meeting Schedule for 2026.

ITEM SUMMARY

This item is for staff to provide a follow up to the Prescott City Council retreat focusing on prioritization and good governance, as well as updates to the proposed meeting schedule based on established Council priorities.

BACKGROUND

On January 20 and 21, 2026, the Mayor and Council met in a Strategic Planning Workshop that included a thorough review of the existing plan. The attached draft document and presentation reflect that conversation and proposed updates. This item is intended to facilitate further review and possible changes prior to approval of an updated strategic plan at a future council meeting.

The Workshop also included a conversation of priorities for the current year. The attached draft schedule of Study Sessions and major voting agenda items for 2026, while tentative, is intended to facilitate a sequencing of City priorities and achievement of strategic plan objectives in the most efficient and effective way possible.

FINANCIAL IMPACT

There is no direct financial impact associated with this item.

RECOMMENDED ACTION

This item is for discussion only. No formal action will be taken.

ATTACHMENTS

1. DRAFT 2026 Study Session Schedule_01.29.26
2. 2026 Strategic Plan Redlines
3. Strategic Plan Update Presentation

Meeting Date	Meeting Type	Time & Description	Department
2/3/2026	**Special Study Session***	**1:00 p.m.**	
Study	Study	Debt Funding Discussion Related to Utility Projects	Finance
Study	Study Session	Strategic Planning Workshop Follow Up Discussion	City Manager
2/10/2026	**Study Session**	**1:00 p.m.**	
Study	Study	Discussion Regarding Special Events Funding Policy	Mayor Request
Study	Study	Facilities Assessment Presentation/Review	Facillities
2/17/2026	**Special Study Session***	**1:00 p.m.**	
Study	Study	Water 101 Workshop	City Manager & Mayor
2/24/2026	**Study Session**	**1:00 p.m.**	
Study	Study	Historic Preservation Master Plan Updates	Comm Dev
3/3/2026	**Special Study Session***	**1:00 p.m.**	
Study	Study	Mid-Year Budget Reprt & FY27 Budget Workshop	City Manager
Study	Study	Discussion Regarding Solid Waste Funds	Finance
3/10/2026	**Study Session**	**1:00 p.m.**	
Study	Study	Transfer Station Master Plan Discussion	PW
Study	Study	Downtown Pedestrian Study (Sidewalks & Crosswalks)	CM
4/7/2026	**Special Study Session***	**1:00 p.m.**	
Study	Study	WUI Code Adoption Discussion	Mayor
Study	Study	Overall Land Development Code Updates - to include Hillside Developmet - Discussion	Mayor
4/14/2026	**Study Session**	**1:00 p.m.**	
Study	Study	Public Safety Annual Report to Council & Strategic Plan Update & Prop478 Progress and Updates (Facility Locations) (FULL SESSION)	Fire & PD and Mayor Request
4/21/2026	**Special Study Session***	**1:00 p.m.**	
Study	Study	Budget Workshop Meeting	Finance
Study	Study	Street Tax Extension Discussion	CM
4/28/2026	**Study Session**	**1:00 p.m.**	
Study	Study	Parks & Recreation Master Plan Survey Results Discussion	Parks & Rec
Study	Study	Rodeo Master Plan Update	Mayor
5/5/2026	**Special Study Session***	**1:00 p.m.**	
Study	Study	Community Development & Fire Development Permit Fee Discussion	City Manager
5/12/2026	**Study Session**	**1:00 p.m.**	
Study	Study	FY27 Budget Workshop (FULL SESSION)	Finance
5/26/2026	**Study Session**	**1:00 p.m.**	
Study	Study	Strategic Plan Update	CM
Study	Study	Facilities Assessment Update/Presentation	Facilities
6/9/2026	**Study Session**	**1:00 p.m.**	
Study	Study	Annexation 101 Discussion	Mayor
Study	Study	General Plan Progress Discussion	Mayor
6/23/2026	**Study Session**	**1:00 p.m.**	
Study	Study	Rodeo Master Plan Update	Mayor Request
Study	Study	Economic Development Strategic Plan Update	Tourism
7/14/2026	**Study Session**	**1:00 p.m.**	
Study	Study	CYMPO Annual Report	CYMPO
8/11/2026	**Study Session**	**1:00 p.m.**	
Study	Study	Long Term Water Management Plan Draft Document Discusison	Water
8/25/2026	**Study Session**	**1:00 p.m.**	
Study	Study	Rodeo Master Plan Discussion	CM
9/8/2026	**Study Session**	**1:00 p.m.**	
Study	Study	General Plan Progress Discussion	
9/22/2026	**Study Session**	**1:00 p.m.**	
Study	Study	Legislative Update from State48 (FULL SESSION)	
10/13/2026	**Study Session**	**1:00 p.m.**	
Study	Study	Parks & Recreation Master Plan Draft Presentation and Discussion	Parks & Rec
10/27/2026	**Study Session**	**1:00 p.m.**	
Study	Study	Pavement Condition Index & Maintaince Plan Update	Mayor Request
11/3/2026	**Study Session**	**1:00 p.m.**	
Study	Study	GES Updates - Chapters 2 and 3 (Grading & Drainage)	PW
Study	Study	Budget/Finance Update (First Quarters)	Finance
11/17/2026	**Study Session**	**1:00 p.m.**	
Study	Study	Strategic Plan Update	CM
Study	Study	Discussion Regarding Fish Fence at Watson Lake	PW
12/8/2026	**Study Session**	**1:00 p.m.**	
Study	Study	Long Term Water Management Pre-Final Document Discussion	Water

Strategic Plan

Prescott City Council

Fiscal Years 2026-2030~~25–2029~~

Vision

Prescott is a thriving and scenic community in the heart of Arizona, rooted in western heritage and strong hometown values, where individuals, families and businesses enjoy outdoor adventures, vibrant cultural events, a prosperous economy, and the promise of a bold tomorrow.

Mission

We enhance quality of life as stewards of our natural and built environment and through outstanding city services that engage our community, preserve our past, and ensure a safe and vibrant future.

Values

We ~~believe in~~serve by:

- Acting with Integrity
- Taking Pride in Excellent Results
- ~~Having Personal Commitment and Loyalty~~Being Accountable
- ~~A High Level of Productivity~~
- Working as a Team
- ~~Solving Problems~~Practicing Innovative Problem-Solving
- Focusing on Our Community
- Being Nice

Strategic Priority #1 - Public Safety

Result 1: Through partnerships and investments in public safety infrastructure and personnel, the community will experience improved emergency services and results as evidenced by:

~~1.~~ By FY28, the community will experience infrastructure as identified in the Fire Department's strategic plan of two (2) new strategically located fire stations.

1.
~~2.~~ By FY29, 90% of life-safety response times will be at or below 8 minutes.

~~3. By FY29, the community will have the ability to successfully contact 911 through their cellular/mobile devices at any place within the City of Prescott.~~

2.

Result 2: By FY28, the community will experience a feeling of safety through the presence of Police Officers and the increased capacity to respond, as evidenced by:

1. Full staffing for the Police Department

2. Proactive community policing in downtown

3. Safe traffic flow through ~~Increased traffic~~ enforcement

Result 3: By FY30~~1~~, the community will experience a sense of personal and economic safety through runway infrastructure improvements at Prescott Regional Airport that ~~will allow~~ support unconstrained operations of ~~commercial carriers, other airport tenants, and~~wildland fire fighting ~~capabilities~~ aircraft, commercial airlines, and other airport tenants. ~~from the Prescott Regional Airport.~~

Result 4~~2~~: By FY28, through regional cooperation and partnerships and a comprehensive risk assessment that builds a strategic mitigation response and recovery plan, the Prescott community will experience increased resiliency in planning for, dealing with and recovering from disasters.

Strategic Priority #2 - Dynamic Economic Environment

~~*Result 1:* By FY26, the City will be proactively identifying and attracting new businesses to the community as evidenced by the completion and ongoing implementation of the Economic Development Strategic Plan.~~

Result ~~2~~1: By ~~FY26~~FY28, the City will ~~be proactively identifying and~~ attract~~ing~~ 300,000 square feet of new commercial development to serve the growing number of residents ~~residential development that is occurring~~ in the northern part of the community.

Result 2: By FY28, implement business retention and expansion programs that keep 95% of existing businesses in Prescott, help at least four (4) significantly expand operations, and promote local successes.

Result 3: By FY28, the City will attract 300 jobs in aviation/aerospace, advanced manufacturing, technology, and/or healthcare.

Result 4~~3~~: By FY28, the annual direct spending from tourism will ~~grow from $252M to~~exceed $288M.

Result 5~~4~~: The community will experience a full-service, self-sustaining regional airport that provides reliable~~, sustained,~~ commercial air service by:

1. ~~By FY26, develop an Economic Development Strategic Plan specific to the airport for bringing in new businesses (paying high wages) and commerce in and around the Prescott Regional Airport.~~By FY27, complete an Airport Master plan that aligns with the City's Economic Development Strategic Plan for attracting new high-paying jobs and commerce around the airport.

2. By FY28, two (2) new aviation/~~-~~ aerospace~~related~~ businesses will be located near the Prescott Regional Airport.

3. By FY29, the annual economic impact from the Prescott Regional Airport area will grow from $162M to $186M.

Strategic Priority #3 ~~-~~– Infrastructure

Result 1: The community will experience the safe, efficient flow of traffic/transportation throughout the City as evidenced by:

~~1.~~ By FY28~~6~~ there will be a completed root-cause analysis of serious traffic injuries/fatalities. ~~reduction in traffic injuries/fatalities.~~

~~2.~~1. ~~By FY27 there will be a reduction in traffic congestion.~~

~~3.~~ By FY28 there will be a plan with implementation strategies for safer pedestrian access to downtown and commercial/retail services.~~reduction in pedestrian injuries/fatalities.~~

2.

Result 2: Beginning in FY24, in alignment with the long-range regional Transportation Plan and working partners (~~CYMPO~~Yavapai Plan, ADOT, etc.), the City will champion the development of a regional network to include the highway system and regional roadways.

Result 3: By FY28, through the development of a long-term Water Management Plan that includes a focus on infrastructure, distribution and delivery, conservation, capacity, and safety, the community will experience safe potable water within the water service area boundary.

Result 4: By FY28, in alignment with the Workforce Housing Committee, the General Plan and the Housing Needs Assessment, the City will facilitate a continuum of housing options for ~~essential workers~~residents and employees so they can live, work and be engaged in the Prescott community.

Result 5: By FY28, complete a master plan for the Rodeo/Fairgrounds, at least $15.3 million in repairs or improvements, a plan for future maintenance and investment, and relevant lease updates.

Result 6: By FY29, the community will have the ability to successfully contact 911 through their cellular/mobile devices at any place within the City of Prescott.

Result 7: By FY29, complete a comprehensive water and sewer utility condition analysis and replacement plan.

Result 8: By FY30, expand the passenger terminal and terminal parking to facilitate safe and efficient movement of airline passenger volumes.

Strategic Priority #4 - ~~Preserving and Protecting the~~ Natural Environment and Community Livability

Result 1: Beginning in FY25, through regional cooperation~~, and~~ partnerships, and updates to the Land Development Code regarding standards for ~~the enforcement of~~ the 25% open space requirement, the community will experience increased trail connectivity, outdoor recreation opportunities and meaningful wildlife corridors.

~~*Result 2:* By FY28, through regional cooperation and partnerships and a comprehensive risk assessment that builds a strategic mitigation response and recovery plan, the Prescott community will experience increased resiliency in planning for, dealing with and recovering from disasters.~~

Result 2: By FY28, complete and adopt a Parks and Recreation Master Plan with a phased implementation strategy that identifies future investment priorities, timelines, and funding mechanisms for parks, trails, recreation amenities, tree canopy, open space, and other community-identified priorities.

Result 3: By FY28, develop and adopt an Open Space Acquisition Framework that establishes clear criteria for evaluating potential acquisitions, ensuring decisions reflect community benefit, fiscal responsibility, and a balanced investment across the Parks and Recreation system.

Result 4: By FY30, expand library services for North Prescott.

Result 5: By FY30, complete restoration work at Watson, Willow, and Goldwater Lakes.

Strategic Priority #5 - Good Governance

Result 1: The City is committed to becoming a community-focused and performance-driven organization as evidenced by:

~~1. Beginning in FY25, the community will receive updates on progress toward the achievement of the City's Strategic Plan every six months.~~

~~2.~~1. By FY27, the community will receive updated performance information and trends about results at the Department level.

~~3.~~2. To ensure fiscal transparency and accountability, by FY27 the City's budget will be tied to results. To further increase financial transparency and accountability, by FY28 the City's budget will be results-oriented and integrated with long-term forecasting.

Result 2: By FY28, the City will expand public information and community engagement by:~~The City is committed to becoming a community-focused and performance-driven organization.~~

1. Hosting a no-cost State of the City event at least annually.

2. Hosting at least four town halls or community engagement events annually.

3. Sponsoring a booth at the farmer's market or other public event at least twelve times annually.

4. Attending at least twelve neighborhood meetings annually.

Result 3: By FY28, the City will continue and enhance regional cooperation, relationships, and advocacy by:

1. Actively participating in regional conversations around water, open space, transportation, wildlife corridors, trail connectivity, economic development, housing, and other topics that are vital to our way of life.

2. Tenacious state and federal advocacy for legislation and funding that improves quality of life for Prescott, our regional partners, and rural Arizona.

2025-2029 STRATEGIC PLAN UPDATE

February 3, 2026

VALUES

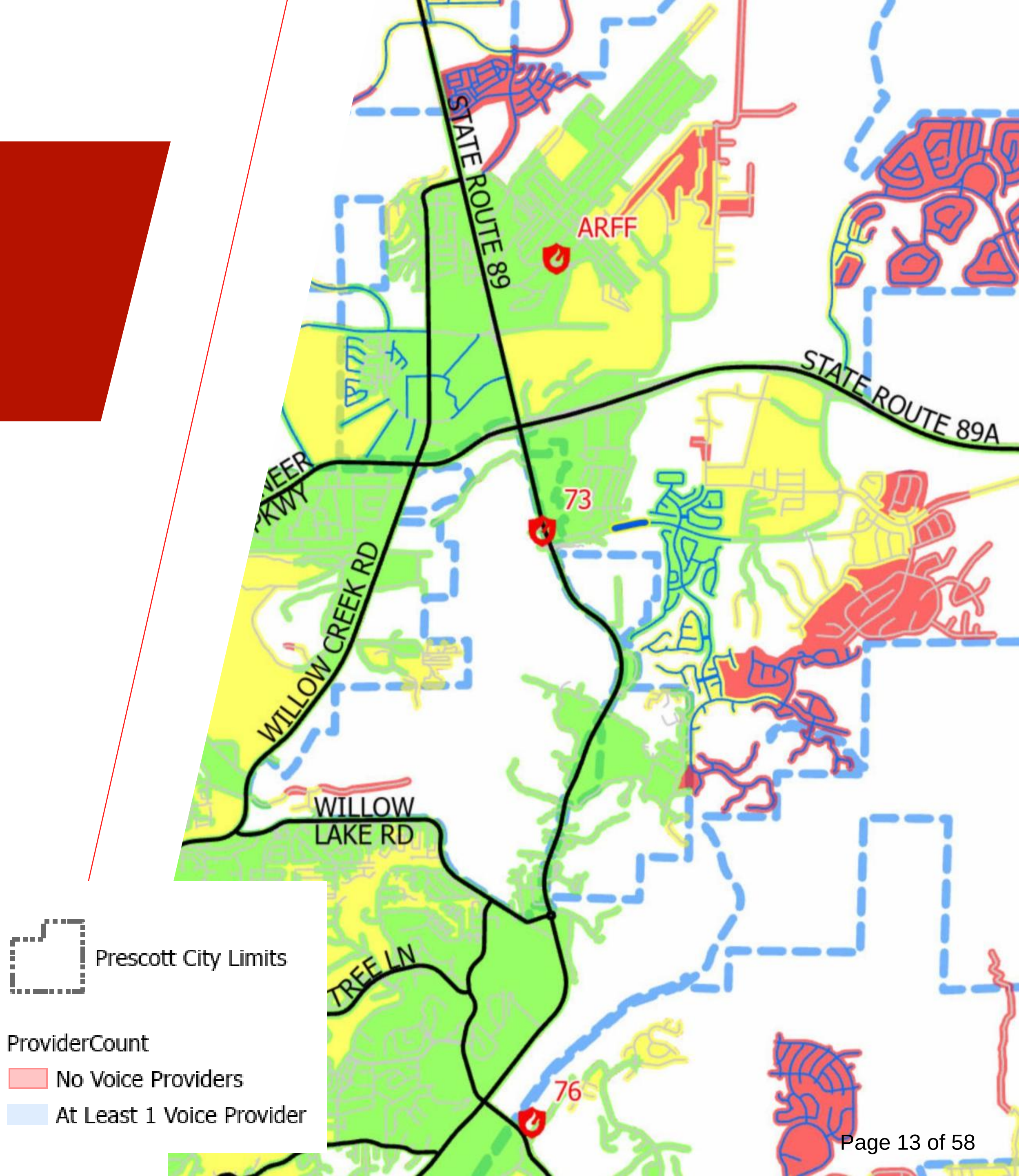
(Current)	(Proposed)
WE BELIEVE IN…	**WE SERVE BY…**
Acting with Integrity	Acting with Integrity
Taking Pride in Excellent Results	Taking Pride in Excellent Results
Having Personal Commitment and Loyalty	Being Accountable
A High Level of Productivity	Focusing on Our Community
Working as a Team	Working as a Team
Solving Problems	Practicing Innovative Problem Solving
Being Nice	Being Nice

STRATEGIC PRIORITY #1: PUBLIC SAFETY

PUBLIC SAFETY

Recommendations

- Specify response times for "life-safety"
- Move cellular connectivity goal to Infrastructure section
- Rephrase Result 2.3: "Safe traffic flow through enforcement."
- Move disaster response and recovery fr Natural Environment to Public Safety



PUBLIC SAFETY

Recommendations

- Rephrase Result 3:
  - “By FY30, the community will experience a sense of personal and economic safety through runway infrastructure improvements at Prescott Regional Airport that support unconstrained operations of wildland fire fighting aircraft, commercial airlines, and other airport tenants.”

STRATEGIC PRIORITY #2: DYNAMIC ECONOMY

DYNAMIC ECONOMY

Recommendations

- Result 1 has been completed and can be removed.
  - Economic Development Strategic Plan adopted in late 2024 and implementation has been operationalized.

DYNAMIC ECONOMY

Recommendations

- Amend Result 2 (now Result 1) to be more specific:
    - "By FY28, the City will attract 300,000 square feet of new commercial development to serve the growing number of residents in the northern part of the community."

DYNAMIC ECONOMY

Recommendations

- Add new Result 2:
  - “By FY28, implement business retention and expansion programs that keep 95% of existing businesses in Prescott, help at least four (4) significantly expand operations, and promote local successes.”

DYNAMIC ECONOMY

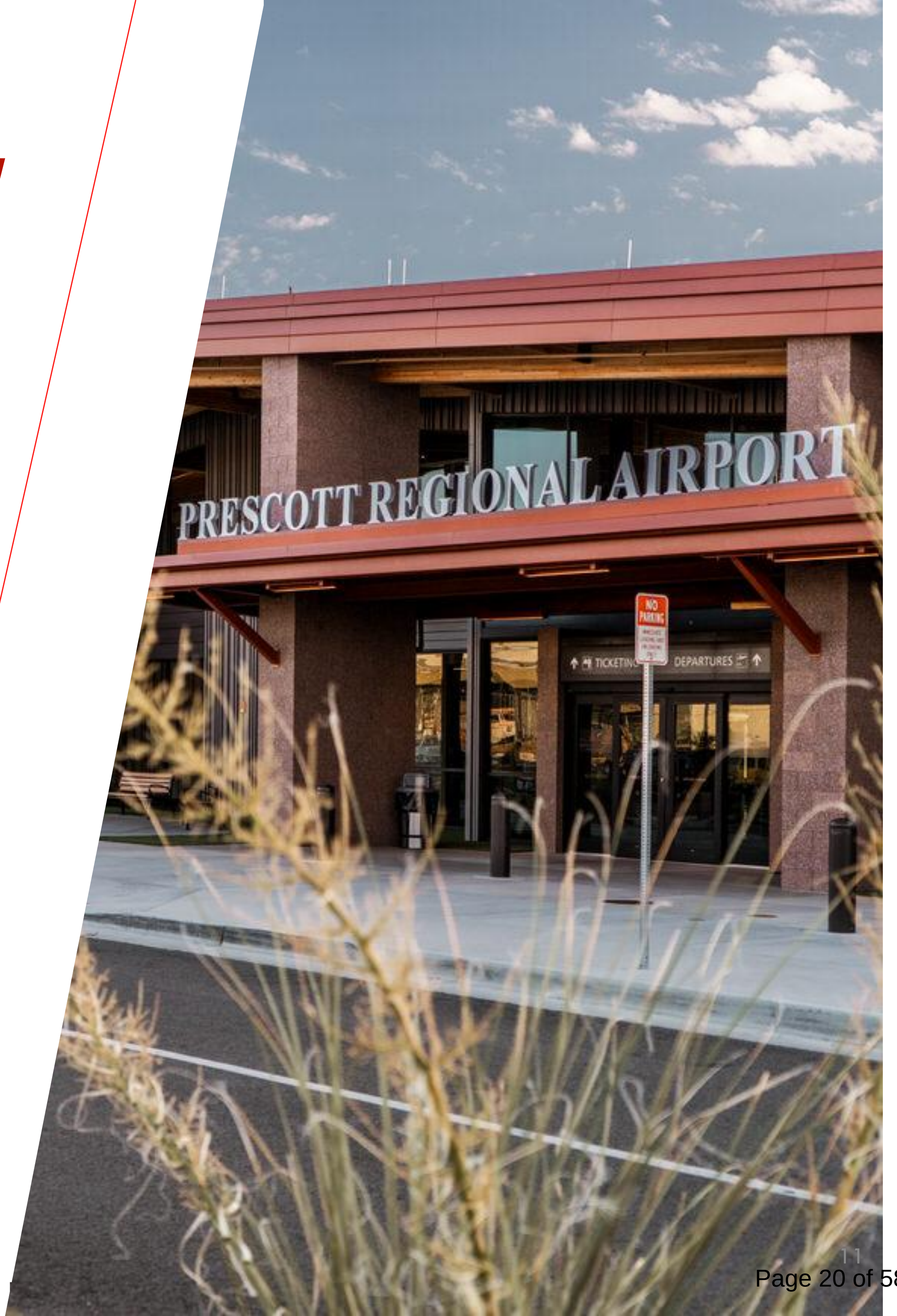
Recommendations

- Add new Result 3:
  - "By FY28, the City will attract 300 jobs in aviation/aerospace, advanced manufacturing, technology, and/or healthcare."

DYNAMIC ECONOMY

Recommendations

- Rephrase Result 4.1 (now 5.1):
  - "By FY27, complete an Airport Master plan that aligns with the City's Economic Development Strategic Plan for attracting new high-paying jobs and commerce around the airport."
- Add aerospace in new 5.2



STRATEGIC PRIORITY #3: INFRASTRUCTURE

INFRASTRUCTURE

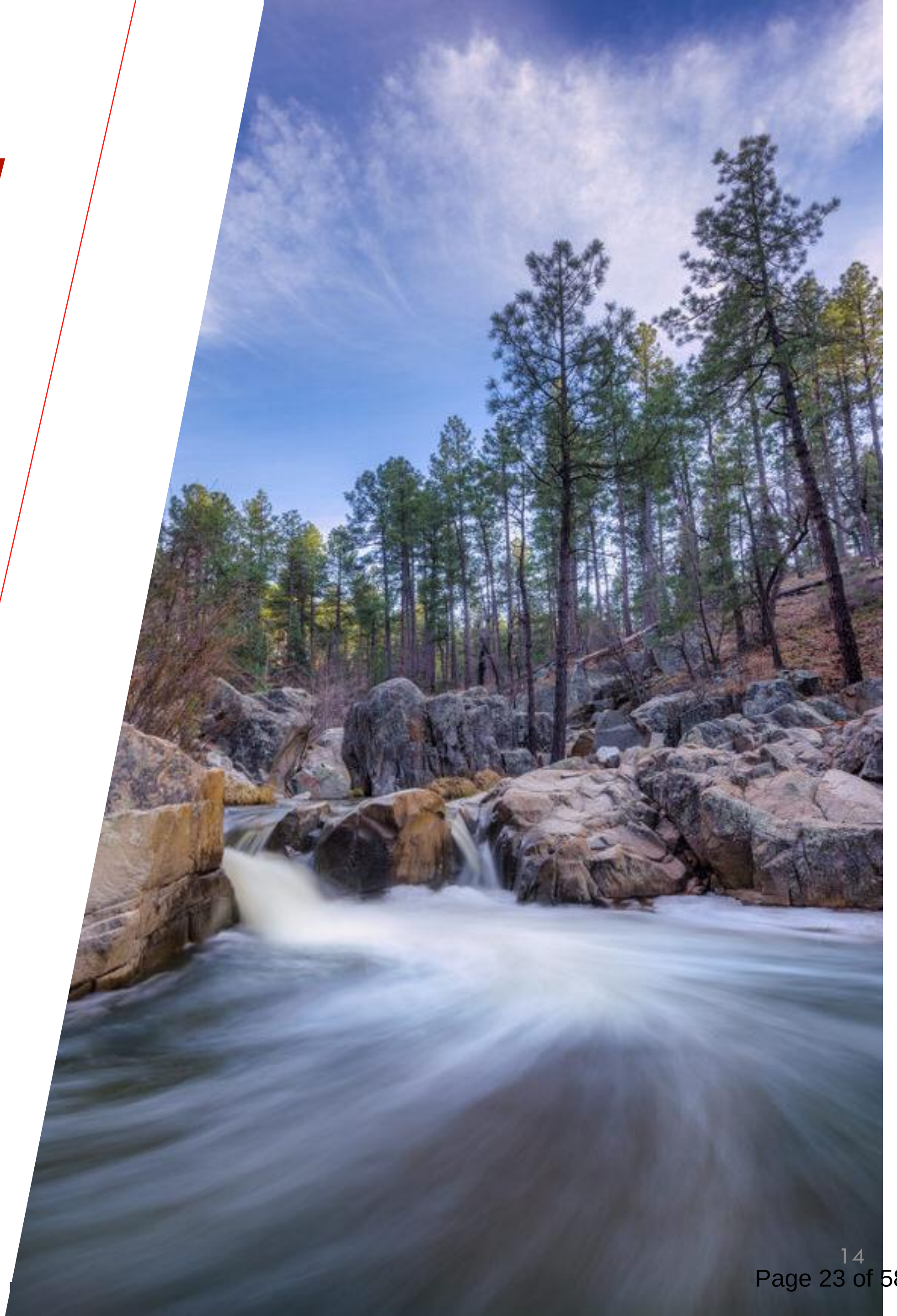
Recommendations

- Refocus Result 1.1 on an analysis of the causes of traffic injuries/fatalities
- Remove Result 1.2
- Refocus Result 1.3 on implementation strategies that will improve pedestrian safety and access

INFRASTRUCTURE

Recommendations

- Add "capacity" to the goals of Result 3
- Clarify housing need is for all residents and city employees
- Move cellular connectivity goal from Public Safety to Infrastructure



INFRASTRUCTURE

Recommendations

- Add new Result 5:
  - "By FY28, complete a master plan for the Rodeo/Fairgrounds, at least $15.3 million in repairs or improvements, a plan for future maintenance and investment, and relevant lease updates."

INFRASTRUCTURE

Recommendations

- Add new Results 7 & 8:
  - "By FY29, complete a comprehensive water and sewer utility condition analysis and replacement plan."
  - "By FY30, expand the passenger terminal and terminal parking to facilitate safe and efficient movement of airline passenger volumes."

STRATEGIC PRIORITY #4: NATURAL ENVIRONMENT AND COMMUNITY LIVABILITY

NATURAL ENVIRONMENT & COMMUNITY LIVABILITY

Recommendations

- Add updates to the Land Development Code as a mechanism to accomplish Result 1
- Move Result 2 to Public Safety

NATURAL ENVIRONMENT & COMMUNITY LIVABILITY

Recommendations

- Add a new Result 2:
  - “By FY28, complete and adopt a Parks and Recreation Master Plan with a phased implementation strategy that identifies future investment priorities, timelines, and funding mechanisms for parks, trails, recreation amenities, tree canopy, open space, and other community-identified priorities.”

NATURAL ENVIRONMENT & COMMUNITY LIVABILITY

Recommendations

- Add a new Result 3:
  - "By FY28, develop and adopt an Open Space Acquisition Framework that establishes clear criteria for evaluating potential acquisitions, ensuring decisions reflect community benefit, fiscal responsibility, and a balanced investment across the Parks and Recreation system."

NATURAL ENVIRONMENT & COMMUNITY LIVABILITY

Recommendations

- Add a new Results 4 & 5:
  - "By FY30, expand library services for North Prescott."
  - "By FY30, complete restoration work at Watson, Willow, and Goldwater Lakes."

STRATEGIC PRIORITY #5: GOOD GOVERNANCE

GOOD GOVERNANCE

Recommendations

- Result 1.1 has been operationalized and can be removed.
- Add a next step to new Result 1.2:
    - "To further increase financial transparency and accountability, by FY28 the City's budget will be results-oriented and integrated with long-term forecasting."

GOOD GOVERNANCE

Recommendations

- Add a new Result 2 focused on engagement including:
  - State of the City
  - At least four town halls per year
  - At least twelve public event booths
  - At least twelve neighborhood meetings

GOOD GOVERNANCE

Recommendations

- Add a new Result 3 focused on regional cooperation, relationships and advocacy, including:
  - Active participation in conversations of regional importance (water, open space, transportation, housing, wildlife, etc.)
  - State and federal advocacy that improves quality of life for Prescott, region, and rural Arizona

DISCUSSION / QUESTIONS

	TO:	MAYOR AND CITY COUNCIL
	AGENDA:	February 3 Special Study Session
	DATE:	February 3, 2026
	DEPT:	Finance
	ITEM #:	3.B
	SUBJECT:	Presentation & Discussion Regarding Debt Funding Options for Utility Projects Identified in the 2024 Rate Study.

ITEM SUMMARY

This item is for a presentation which summarizes the water and wastewater rates previously adopted by Council and reviews potential funding options for the infrastructure improvements identified in the 2024 rate study.

BACKGROUND

The City of Prescott has historically utilized the Water Infrastructure Finance Authority (WIFA) to finance large utility infrastructure projects. As the size and scope of the capital plan, particularly for wastewater projects, continues to grow, it has become clear that additional financing options will need to be considered. One of those options is the use of revenue bonds, which is the focus of this presentation.

FINANCIAL IMPACT

There is no fiscal impact associated with this item at this time.

RECOMMENDED ACTION

This item is for discussion only. No formal action will be taken.

ATTACHMENTS

1. Current and Future Utility Debt
2. Financing Alternatives RBC Presentation

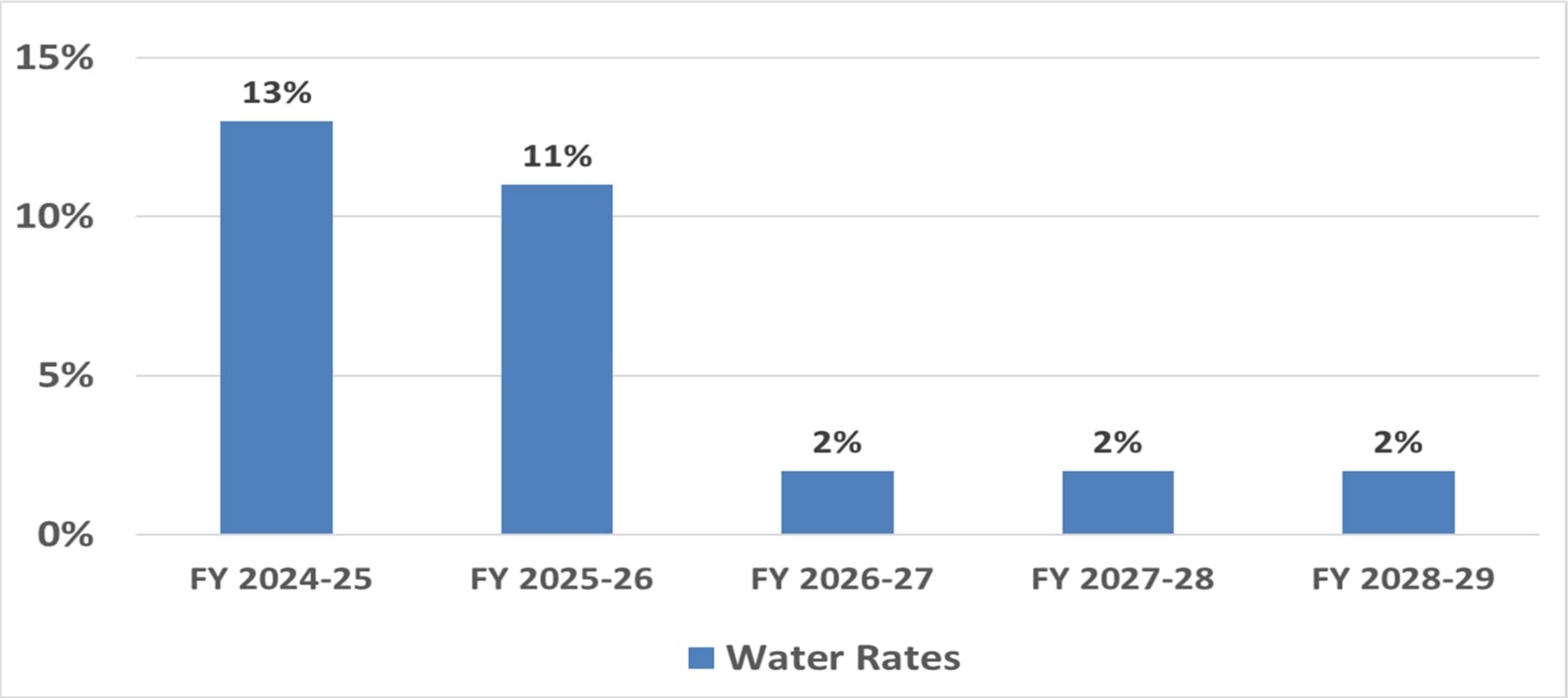
Debt Funding Related to Utility Projects

City Council Study Session
February 3, 2026

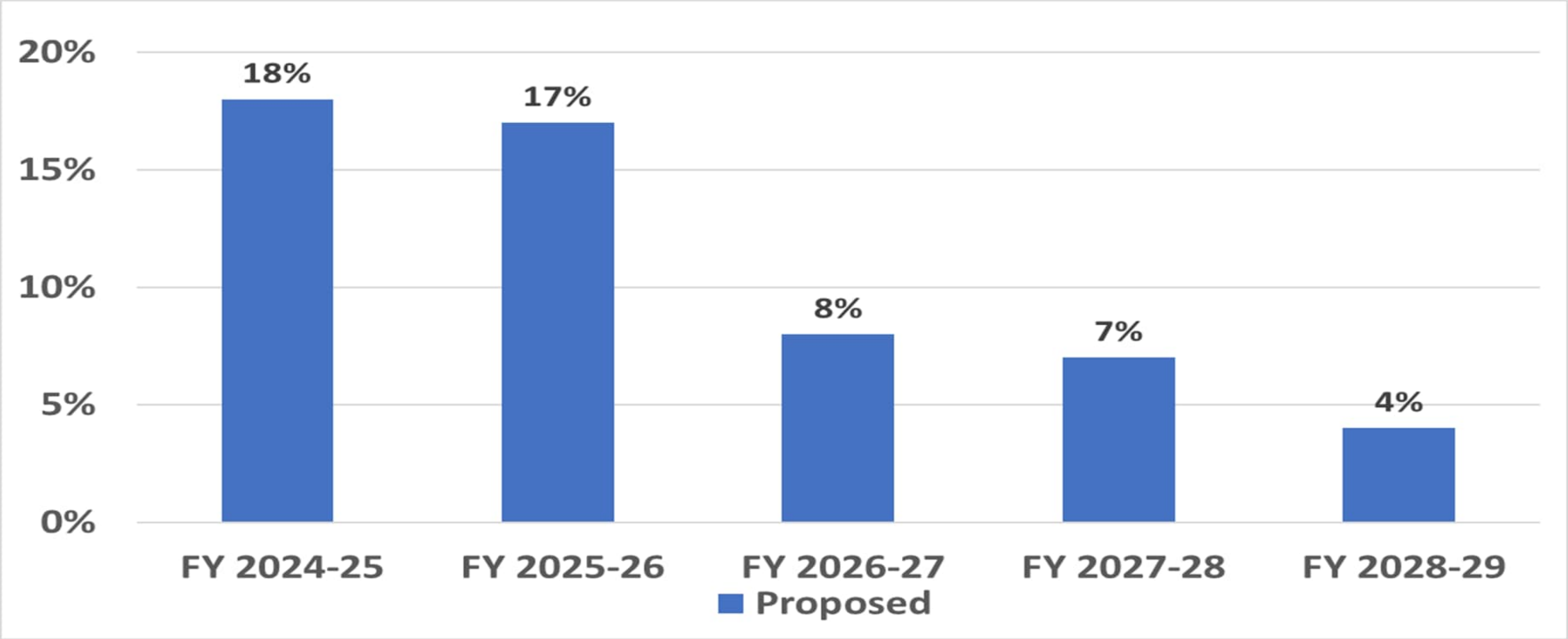
Background

- The City of Prescott completes full rate and impact fee studies every 5 years.
- The studies include 10-year capital planning
- Latest water and wastewater rate study completed in 2024
- 5 – year rates were adopted by City Council May 28, 2024 with changes effective:
  - 7/1/2024
  - 1/1/2026
  - 1/1/2027
  - 1/1/2028
  - 1/1/2029

Water rate changes (previously adopted)



Wastewater rate changes (previously adopted)



Example Customer Bills

Residential		Current	7/1/2024	1/1/2026	1/1/2027	1/1/2028	1/1/2029
5/8"	*Usage*						
Water	5,000	$42.92	$48.90	$54.62	$55.78	$56.95	$58.15
Wastewater	3,000	44.63	52.24	60.72	65.40	69.83	73.87
Total		$87.55	$101.14	$115.34	$121.18	$126.78	$132.02
	$ Increase		$13.59	$14.20	$5.84	$5.60	$5.24
	% Increase		15.5%	14.0%	5.1%	4.6%	4.1%
5/8"	*Usage*						
Water	10,000	$76.22	$87.15	$97.62	$99.73	$101.85	$104.05
Wastewater	3,000	44.63	52.24	60.72	65.40	69.83	73.87
Total		$120.85	$139.39	$158.34	$165.13	$171.68	$177.92
	$ Increase		$18.54	$18.95	$6.79	$6.55	$6.24
	% Increase		15.3%	13.6%	4.3%	4.0%	3.6%

Example Customer Bills

Non-Residential		Current	7/1/2024	1/1/2026	1/1/2027	1/1/2028	1/1/2029
1"	*Usage*						
Water	24,000	$155.44	$174.96	$193.47	$197.12	$201.02	$204.93
Wastewater	20,000	169.07	199.73	233.84	252.61	270.45	286.71
Total		$324.51	$374.69	$427.31	$449.73	$471.47	$491.64
	$ Increase		$50.18	$52.62	$22.42	$21.74	$20.17
	% Increase		15.5%	14.0%	5.2%	4.8%	4.3%
2"							
Water	65,000	$383.86	$431.88	$477.44	$486.37	$495.96	$505.57
Wastewater	60,000	464.27	548.53	642.24	693.81	742.85	787.51
Total		$848.13	$980.41	$1,119.68	$1,180.18	$1,238.81	$1,293.08
	$ Increase		$132.28	$139.27	$60.50	$58.63	$54.27
	% Increase		15.6%	14.2%	5.4%	5.0%	4.4%

Utility Debt Considerations

- Debt increases total project cost due to interest paid over the life of the debt
- However,
  - Enables delivery of large-scale projects with 30–50 year useful lives
  - Provides rate stability by smoothing impacts to current ratepayers
  - Requires sufficient revenue and debt service coverage to maintain financial strength
  - Promotes equity with customers paying for projects over the life they are used

CITY OF PRESCOTT ARIZONA

Current Utility Debt

- Historically the City has utilized mostly Water Infrastructure Finance Authority (WIFA) loans for large utility infrastructure projects
  - Currently holding 13 different loans
  - Total balance $98,832,313 as of June 30, 2025
  - Term of loans ranges from 20 – 30 years
- One Revenue Bond – the Big Chino Water Ranch purchase, recently refunded October 2024, with a balance of $5,325,000 as of June 30, 2025

CITY OF PRESCOTT ARIZONA

Current WIFA Debt

WIFA #	Amount Authorized	Date of Auth.	Maturity Date	Final Amount Borrowed	Interest Rate	Project	Balance June 30, 2025	Original Term	Years remaining
Drinking Water Projects									
920125-08	$ 9,854,000	8/24/2007	7/1/2027	$ 9,854,000	3.640%	Water Main Imp	$ 1,961,921	20	2
92A166-10	8,998,096	7/31/2009	7/1/2029	2,759,551	3.143%	Zone 39 Imp	794,426	20	4
920206-11	1,060,000	12/3/2010	7/1/2030	1,018,796	3.152%	Water Main Imp	373,734	20	5
920237-13	15,921,582	1/25/2013	7/1/2032	15,921,582	2.800%	Water Main Imp	6,486,583	20	7
920297-20	25,000,000	8/30/2019	7/1/2049	25,000,000	1.590%	Intermediate Pump	21,609,848	30	24
920351-23	34,000,000	9/27/2022	7/1/2052	In Progress	2.992%	Intermediate Pump	28,741,217	30	27
920369-25	9,987,500	5/2/2025	7/1/2049	In Progress	3.897%	Zone 41 Tank Imp	-	25	24
Total Drinking Water Projects							59,967,729		
Clean Water Projects									
910097-08	4,703,000	8/24/2007	7/1/2027	4,703,000	3.868%	Sewer Mains Imp	951,515	20	2
910122-10	6,573,506	7/31/2009	7/1/2029	6,054,763	3.143%	Sewer Mains Imp	1,874,675	20	4
910147-11	2,070,000	12/3/2010	7/1/2030	1,574,593	3.152%	Sewer Mains Imp	540,522	20	5
910148-11	1,635,870	12/3/2010	7/1/2030	1,480,944	3.152%	Sundog WWTP Imp	533,770	20	5
910151-11	45,802,753	6/10/2011	7/1/2031	43,202,549	2.950%	Airport WWTP	18,516,797	20	6
910170-18	21,600,000	2/2/2018	7/1/2047	In Progress	2.328%	Sundog Trunk Main	16,447,305	30	22
Total Clean Water Projects							38,864,584		
Total							$ 98,832,313		

CITY OF PRESCOTT ARIZONA

Future Debt

- The rate study process includes evaluation on what projects are possibly debt funded versus cash (pay-go) funded.
- The 2024 rate study includes projects through FY2034, with current estimates as follows:
    - Water $142M Total with <u>$27M debt funded</u>
    - Wastewater $230M Total with <u>$192M debt funded</u>
- The debt term assumed in the rate study was 25-years.
- WIFA's program is now <u>unable</u> to fund our projects longer than a 20-year term

Future Debt

- The proposal for future debt is as follows:
  - Water $27M - Likely continue using WIFA financing for Water projects where 20 –year terms are acceptable and may include forgivable principal.
  - Wastewater $192M - Pursue revenue bonds as the option given 25+ year financing terms to keep rates at previously adopted levels
  - For both, plan to analyze cost-benefit of a WIFA loan versus revenue bonds for most cost-effective approach.
- Analysis of the funding options is presented next by RBC Capital Markets.

City of Prescott, Arizona

Wastewater Capital Program and Financing Alternatives

February 3, 2026

CITY OF PRESCOTT

Capital Markets

Discussion Overview

- **City is embarking on significant capital infrastructure program for Wastewater System**
  - Estimated $230MM of project costs over the 2026-2034 timeframe
  - Estimated $192MM to be financed through debt issuance; estimated $38MM funded with cash of Wastewater System

- **City, in conjunction with RBC, considered options for undertaking debt financings for the capital program to determine best approach, including:**
  - General Obligation Bonds
  - Excise Tax Revenue Obligations
  - Wastewater Revenue Obligations
    - Issued directly by City
    - Borrowed from Water Infrastructure Finance Authority (WIFA) via a WIFA loan

Factors to Consider

❑ Factors to consider in assessing alternatives

- Affordability of debt program for the City and its ratepayers which is impacted by:
  - Project cost differentials
  - Borrowing costs – both interest rate and issuance costs
  - Repayment term (the longer the borrowing term the lower the annual cost to ratepayers)

- Impact of WIFA program requirements and limitations on:
  - Repayment term of debt (generally restricted to 20 years with WIFA)
  - Cost of project (i.e. Davis-Bacon wages, American iron and steel requirements, etc.)
  - Staff time and effort
  - Inability to refinance debt borrowed
  - Restricted to borrowing on a project basis as opposed to a cash flow basis

Discussion of Alternatives

General Obligation Bonds

- Requires voter approval
- Secured by property taxes
- May be payable from property taxes or other City funds, including wastewater revenue
- Any financing/repayment term is allowable

Excise Tax Revenue Obligations

- Does not require voter approval
- Secured by City Excise Taxes (City sales taxes, State shared revenues, fines and fees, etc.)
- May be payable from City excise tax revenues or net wastewater revenues
- Would impact City's ability to fund other capital needs financed from Excise Tax Obligations
- Any financing/repayment term is allowable

Discussion of Alternatives

Wastewater Revenue Obligations issued directly by City

- Does not require voter approval
- Secured by and payable from net revenues of the Wastewater System
- Any financing/repayment term is allowable

Wastewater Revenue Obligations via WIFA Loan

- Does not require voter approval
- Secured by and payable from net revenues of the Wastewater System
- Financing term limited to no more than 20 years which impacts rates required to service debt and meet capital needs
- No ability to refinance the debt
- Loans are made on a project basis as opposed to cash flow basis

Comparison of WIFA Loans Versus City-Issued Revenue Bonds for Wastewater Program

WIFA Loan	City Issued Revenue Bonds
<u>Timing/ Interest Cost</u>	**<u>Timing/Interest Cost</u>**
▪ No interest paid until funds are drawn	▪ Interest on full Bond amount starts immediately, but interest can be minimized by:
▪ No investment earnings earned on Loan proceeds	o Funding initial costs with City cash that is reimbursed from Bond proceeds
▪ Interest rate typically 80% to 85% (depending on WIFA scoring) of market rate of final maturity of the Loan, determined at Loan closing	o Interest cost is mostly offset by interest earnings on Bond proceeds prior to expenditure
▪ No ability to refinance Loan if interest rates decline	▪ Market rate, priced along the yield curve, made up of multiple serial maturities which can lower overall cost, and ability to refinance Bonds after 10 years to lower interest rates
▪ Loan closings are subject to WIFA schedule / time frame	▪ Bond closing is based on schedule determined by the City
▪ Loans are made and closed on a per project basis and not based on periodic cashflow needs of the City. o The City has <u>18 separate projects</u> through the end of the forecast period in FY34	▪ Bonds are sold based on the cash flow needs of the City for multiple projects simultaneously, structured as Wastewater Improvements

Comparison of WIFA Loans Versus City-Issued Revenue Bonds for Wastewater Program

WIFA Loan	City Issued Revenue Bonds
<u>Project Costs</u> ▪ Federal contracting / labor requirements apply (American iron and steel requirements, Davis-Bacon wages, etc.), which may result in higher project costs ▪ Limited financing costs	**<u>Project Costs</u>** ▪ Federal contracting / labor requirements do not apply, which may result in lower project costs ▪ Financing costs of approximately 1.0% to 1.5% of the Bond amount
<u>Flexibility/Project Cost</u> ▪ Fixed Loan amount provides limited flexibility ▪ Loan proceeds must be used for specific, pre-approved project per Loan ▪ Funding for design not always included in Loan	**<u>Flexibility/Project Cost</u>** ▪ Greater flexibility for project budgets ▪ Design costs can be included in the project costs, and internally tracked by project ▪ Bond proceeds are spent for multiple projects

Comparison of WIFA Loans Versus City-Issued Revenue Bonds for Wastewater Program

WIFA Loan	City Issued Revenue Bonds
Loan Terms/Repayment ▪ Most Loans are 20-year financings / repayment term ▪ Loans over 20 years need to be larger in size (> $50 MM), and subject to WIFA consent (the City's largest single project is ~$38 million) ▪ Smaller Loans ($4MM or less) have possibility of having forgivable principal	**Loan Term/ Repayment** ▪ Flexible repayment terms up to 40 years, with 20 to 30 years typical financing term ▪ Pricing along the yield curve with serialized maturities in years 1 through 20, and term bonds in 25 and 30 years ▪ 30 year borrowing typically has a 17 to 18-year average life
Council Approval ▪ Required	**Council Approval** ▪ Required

Conclusions

- **Issuance of Wastewater Revenue Bonds by cities to finance capital infrastructure needs is a commonly used financing approach**
  - Issuance similar to Excise Tax Revenue Bonds that City has issued in the past
  - Requires Council adoption of an Authorizing Resolution
  - 3 to 4-month financing period from start to finish
  - Would look to finance cash flow needs of projects over an 18 to 24-month period to minimize number of issuances, staff time and issuance costs

- **RBC's analysis of financial plan in rate study, including issuance of 25-year bonds, confirms plan is feasible and viable**

Conclusions

- **A financing term of 25 years or longer will require City to issue Wastewater Revenue Bonds to finance the needed capital infrastructure**
  - WIFA generally does not finance projects for more than 20 years unless cost of $50MM or more, which City does not have in its capital program
  - WIFA finances on a project-by-project basis, whereas City is better served by financing for its cash flow needs across many projects occurring at same or similar time
  - The cost differential between a WIFA loan and City Revenue Bonds of the same duration is not significant when taking all factors into consideration

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