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

MINUTES

1. CALL TO ORDER

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

2. ROLL CALL

Cathey Rusing - Mayor
Lois Fruhwirth - Mayor Pro Tem
Mary Frederickson - Councilwoman
Ted Gambogi - Councilman
Jim Garing - Councilman
Patrick Grady - Councilman
Jay Ruby - Councilman

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.

City Manager Dallin Kimble provided a presentation to the Council as a follow-up to the previous Strategic Planning Workshop meetings. This will be a summary of those discussions and a forecast of upcoming meetings based on the Council's priorities. He noted that some of the dates in the Strategic Plan go beyond the 2025-2029 dates in the title stating that it might be a good idea to update the name.

Mayor Pro Tem Fruhwirth stated that when the discussions first began it was in 2024 and a five-year strategic plan so to her it makes sense to update that based on where the Council is at now.

Councilman Gambogi commented that he doesn't necessarily like it being a five-year plan, the name should reflect the year it was done.

Councilman Grady agreed, that the name should be updated to reflect the new five year period.

Mayor Rusing concurred.

Councilwoman Frederickson stated that beginning the start date with the current year makes sense and she feels there should be an end date, she likes the five-year idea.

Councilman Ruby agreed with Councilman Gambogi. He asked if the strategic plan "ends". This sounds like an issue of semantics.

Mr. Kimble responded that it is a living document that will be edited and revised as the years go on. It is really up to the Council.

Mayor Pro Tem Fruhwirth added that the resources and capital being allocated are what makes a plan a five or ten-year plan.

Mr. Kimble continued with a discussion regarding the proposed revised values, going from "we believe in" to "we serve by".

Public Safety:
* Revision Recommendations - specify response times for "life-safety"; move cellular connectivity goal to infrastructure section; rephrase Result 2.3 to "safe traffic flow through enforcement"; move disaster response and recovery from Natural Environment to Public Safety; Result 3 rephrased "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"

Councilwoman Frederickson commented that the "values" section was not previously included in the Strategic Plan and added that "being nice" should not be included. It seems very kindergarten, including a value for the other items is appropriate, but this one is not.

Mr. Kimble reiterated that the values are included on all city business cards and recruitment materials. When they were adopted many years ago, it was a staff-driven initiative and the conversation has been to include it in the strategic plan.

Mayor Pro Tem Fruhwirth commented that there was some feedback regarding the milestones that were discussed and if the fiscal year included in the plan means by the beginning of that fiscal year, or the end of the fiscal year.

Mr. Kimble responded that his preference would be to include specific dates, but that would be a full rewrite and so adding in language like "by the end of FY..." or "by the beginning of FY..." would be an appropriate way to make that obvious. He added for clarification that, unless an edit is mentioned in this presentation and discussion, all sections remain the same.

Councilman Grady stated that he thinks specific dates will be more effective communication for someone reading the plan.

Councilman Gambogi added that he supports the inclusion of dates. Staff has limited time, so it is important to include dates so the general public is aware of what the Council is focusing on.

Dynamic Economy:
* Revision Recommendations - Result 1 has been completed and can be

removed; amend Result 2 (now result 1) "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"; add new Result "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"; add new Result 3 "by FY28, the city will attract 300 jobs in aviation/aerospace, advance manufacturing, technology and/or healthcare"; rephrase Result 4.1 (now result 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 the word "aerospace" to 5.2

Infrastructure:
Revision Recommendations - refocus Result 1.1 on 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; 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; 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"; add new Results 7 & 8 "by FY29, complete a comprehensive water and sewer utility condition analysis and replacement plan" and "by FY30, expand the passenger terminal and terminal parking to facilitate safe and efficient movement of airline passenger volumes"

Mayor Rusing suggested adding in language regarding bicycle safety.

Councilwoman Frederickson commented that it is hard for her to envision whether it would be possible to make it safer for bicycles in the downtown corridor.

Councilman Gambogi added that there is an element of education of bicycle safety that needs to happen.

Councilman Grady stated that bicycle should be added, that is very important and is a key attraction for our tourism.

Councilman Ruby concurred, many people have wanted to have an element of integration of bicycling into plans.

Mr. Kimble will work on getting that included.

Natural Environment & Community Livability:
* Revision Recommendations - add updates to the land development code as a mechanism to accomplish Result 1; move Result 2 to Public Safety; add 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"; add 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"; add new Results 4 & 5 "by FY30, expand library services for North Prescott" and "by FY30, complete restoration work at Watson, Willow and Goldwater Lakes"

Mayor Pro Tem Fruhwirth stated that she thinks "Preserving and Protecting" should still be included in the title.

Mayor Rusing concurred.

Councilman Grady also agreed and added that meaningful wildlife corridors should be included.

Mr. Kimble responded that the wildlife corridor is still included, and will add the "preserving and protecting" language back in.

Mayor Pro Tem Fruhwirth commented that she has issue with the language "balanced" because she isn't sure what the plan will be and what the expenses, etc are. She doesn't know if the city will invest more in parks or other recreational areas.

Councilwoman Frederickson stated that she doesn't see the word "balanced" meaning a 50/50 split or particular outcome but rather just considering the range of what will be in front of the Council and planning accordingly.

Mayor Rusing discussed that balanced to her means that the city isn't going to invest in parks and recreation items at the expense of other services or infrastructure.

Councilman Garing stated that the word "balanced" should be removed or the definition should be clarified.

<u>Good Governance:</u>
* Revision 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"; add 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 annually; 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

Councilman Grady asked how the Town Halls are classified and who holds them, etc.

City Clerk Sarah Thornhill responded that it would likely be something similar to the way the Council requests items be placed on an Agenda, either the Mayor or two members of the Council.

Mr. Kimble agreed, it could be topic specific and inviting Q&A to determine what they would like to do. Trying to also work with HOAs in the community, staff will help to coordinate.

Mayor Rusing stated that fire awareness/preparation would be a good discussion topic for a Town Hall.

Mayor Pro Tem Fruhwirth added that items that may be placed on upcoming ballots would be appropriate for a Town Hall as well.

Mr. Kimble continued with an overview of the proposed upcoming Study Session schedule that was included in the packet and asked the Council for direction on any updates they would like to make.

Councilman Grady stated that he likes the intent on the schedule. There is a June 9 Study Session for the General Plan, but he is concerned that is getting into the November election.

Ms. Thornhill discussed that would be a progress update and staff will be seeking more direction when the Subcommittee meets in February.

City Attorney Joseph Young added that if the current version of the plan is being revamped, the notice requirements would make the November 2026 election impossible, but if the plan is slightly tweaked that would make it more reasonable.

Councilman Garing commented that much of the Strategic Plan goals will have an implication on staff time and budget and asked staff to address that.

Mr. Kimble responded that if the Council approves the Strategic Plan, budgets will be structured around those goals. To the extent possible, those are prioritized and discussed during the budget process and if there are going to be issues with funding staff will let the Council know that.

Councilman Ruby asked if there was a date set for the Council to go down to the legislature.

Mayor Rusing commented that she, the Mayor Pro Tem and the City Manager just went down to the legislature. It is important to get down there as early as possible to focus in on those topics.

Mr. Kimble added that last session the city was present on multiple dates and so there will be an opportunity to do that this year as well. If there are particular bills that the Council would like to testify and advocate for or against those are also important opportunities when it makes sense to do so.

Mayor Pro Tem Fruhwirth commented that she would like to see quarterly budget updates, and she would like to have more focused conversation and closer together.

Finance Director Lars Johnson commented that the schedule was tweaked a bit based on direction, but revisions can be made to those if that is what the council would like to do.

Ms. Thornhill reviewed previous year's Budget Workshop schedules and why the schedule was put together for the proposed Study Session schedules this year.

Mr. Kimble added that there has been feedback on both sides that it is too much information at one time and want it spread out over several meetings. Staff is trying to determine where the best balance is. Could take the April and May meeting and combine into a longer session and then do topics in advance or not do them in advance based on the discretion of the Council.

Councilman Grady stated that he likes the version of the mid-year report and feels it will be helpful to get some background information.

Councilman Ruby agreed, he likes a mid-year but also a longer, more in-depth discussion.

Mayor Rusing added that having 2 on 2 meetings would be helpful as well.

Mr. Kimble commented that revisions will be made to the schedule based on this feedback. He added that there is a quarterly update built in for November.

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

Recess at 2:31 p.m., reconvene at 2:43 p.m.

B. Presentation & Discussion Regarding Debt Funding Options for Utility Projects Identified in the 2024 Rate Study.

Finance Director Lars Johnson provided a presentation to the Council regarding debt funding related to utility projects. He stated that he will provide an overview of existing debt and future needs and Kurt Freund from RBC to discuss other funding opportunities.

Background:
* City completes a full rate and impact fee study every five years
* Studies include 10-year capital planning
* Latest water and wastewater rate study completed in 2024
* 4-year rates were adopted by Council on May 28, 2024 with changes effective - July 1, 2024, Jan. 1, 2026, Jan. 1 ,2027, Jan. 1, 2028 and Jan. 1, 2029
* When these are evaluated so are impact fees, and impact fee increases were adopted at the same time
* Rates and impact fees contribute to the capital plan (wastewater is approximately 1/3 is funded by impact fees and water is approximately 20%)

Water Rate Changes:
* FY24-25 - 13%
* FY25-26 - 11%
* FY26-27; FY27-28; FY28-29 - 2%

Wastewater Rate Changes:

* FY24-25 - 18%
* FY25-26 - 17%
* FY26-27 - 8%
* FY27-28 - 7%
* FY28-29 - 4%

Utility Debt Considerations:
* Debt increases total project cost due to interest paid over time
* 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, and promotes equity with customers paying for projects over the life they are used

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 in October 2024 with a balance of $5,325,000 as of June 30, 2025

Future Debt:
* Rate study process includes an evaluation on what projects are possibly debt funded versus cash (pay-go) funded
* The 2024 rate study includes projects through FY34 with current estimates as follows
  - Water $142 million total with $27 million debt funded
  - Wastewater $230 million with $192 million debt funded
* The debt term assumed in the rate study was 25-years
* WIFA's program is now unable to fund our projects longer than a 20-year term
* Proposal for future debt is as follows
  - Water $27 million to continue with WIFA where 20-year terms are acceptable and may include forgivable principal
  - Wastewater $192 million 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 will be presented by RBC Capital Markets

RBC Capital Markets Managing Director Kurt Freund continued the discussion and reviewed the makeup of WIFA which is a state agency, their governing board follows federal law and sets their own terms. Their typical approach is that they like to keep their terms shorter, only get forgiveness on projects that are less than $4 million unless it is for a drinking water project. RBC provides assistance and guidance to municipalities for revenue bonds. The city in conjunction with RBC considered options for undertaking debt financing for the capital program to determine best approach.

Options Include:
* General obligation bonds

* Excise tax revenue obligations
* Wastewater revenue obligations - issued directly to the city, borrowed from WIFA via a loan

Factors to Consider:
* Affordability of debt program for city and its ratepayers impacted by - project cost differentials, borrowing costs (interest/issuance costs) and repayment terms (longer the term, the lower the annual cost)
* Impact of WIFA program requirements and limitations on - repayment term of debt, cost of project, staff time/effort, inability to refinance debt borrowed and restricted to borrowing on a project basis as opposed to a cash flow basis

General Obligation Bonds:
* Lowest cost of borrowing
* Requires voter approval
* Secured by property taxes
* May be payable from property taxes or other city funds, including wastewater revenue
* Any financing and repayment term is allowable

Excise Tax Revenue Obligations:
* Does not require voter approval
* Secured by city excise taxes (sales taxes, sate shared revenue, 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 finances from excise tax obligations
* Any financing and repayment term is allowable

Wastewater Revenue Obligations:
* Doesn't require voter approval
* Secured by and payable from net revenues of wastewater system
* Any financing and repayment term is allowed

Wastewater Revenue Obligations via WIFA Loan:
* Doesn't 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 serve debt and meet capital needs
* No ability to refinance the debt
* Loans are made on a project basis as opposed to cash flow basis

Mayor Pro Tem Fruhwirth commented that she has heard very negative feed back about a revenue bond, and asked what the downside is to utilizing the wastewater revenue obligation option that is being recommended.

Mr. Freund responded that the larger downside is not doing it, delaying projects and shortening the timeframe is more of a downside than an obligation. This is the most responsible way to pay for it. He continued with an in-depth analysis for each of the funding options.

Conclusions:
* Issuance of revenue bonds 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, financing period start to finish is 3-4 months, would look to finance cash flow needs of projects over an 18-24 month period to minimize number of issuance, 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
* Financing term of 25 years or longer will require the 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 $50 million or more; WIFA finances on a project-by-project basis; the cost differential between a WIFA loan and city revenue bonds of the same duration is not significant when taking all factors into consideration

Mayor Rusing commented on the need to have the city's infrastructure keep up with it's growth, she asked legal to address the Charter provision related to spending and if it would trigger the need for a vote. She also asked if there is a way to consolidate some of this with a water/sewer reimbursement district in north Prescott to offset funding.

City Attorney Joseph Young responded that he does not believe it will, financing mechanism is irrelevant to how Prop401 works. A full analysis will be brought back to the Council however, regarding the projects and what is exempt from those provisions.

Mr. Johnson responded that part of the DIF study is looking at ensuring that impact fees cover fees and infrastructure.

City Manager Dallin Kimble added that districts are just another way to create new taxes and get around issues like Prop13, which creates different revenue streams for each type of service. The impact fee is the way the City of Prescott addresses new development. Adding a district is done because you don't have the revenue to cover the costs.

Councilman Ruby asked if it is possible to use a WIFA loan and a bond at the same time for the same project.

Mr. Freund responded that you can use different funding sources, but would likely not do it on a project by project basis and would not want to have too many different debt issues.

Mayor Rusing asked about interest rates.

Mr. Freund responded that the lowest possible interest rate would be in the sub-4% range, depending on when the debt is issued. WIFA loans are set based on what interest rates are at any given time and are a percentage based on any other borrowing interest rate.

Councilman Grady asked to get information on the proposed projects through FY34, and added that the legislature is looking at financing and asked if that will have an impact on the city going out and getting funding.

Mr. Freund responded that he isn't sure if the TIF legislation will pass or not, but regardless, it wouldn't really apply in these scenarios. What Prescott has done and continues to do is put in facilities that will benefit the entire city and not just one portion of it.

Mayor Pro Tem Fruhwirth commented that following the rate study in 2024, she had asked about alternatives for smoothing out increases and things couldn't continue to be pushed. In the Strategic Plan regarding infrastructure, taking a look at all the city's sewer and water pipes so in light of that, she thinks it would be good to see more details regarding the included projects and requested that it be clearer where the lines are/etc.

Mr. Johnson added that funding and projects will be available in detail as part of the budget process. Next Council action anticipated on this will be when the next big project is bid on. There will be a bid alternatives component related to funding for the project (likely in April or May).

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

4. ADJOURNMENT

There being no further business to discuss, Mayor Rusing adjourned the meeting at 3:48 p.m.

Cathey Rusing

CATHEY RUSING, Mayor

ATTEST:

Sarah M. Thornhill

SARAH M. THORNHILL, 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 3, 2026. I further certify the meeting was duly called and held and that a quorum was present.

Sarah M. Thornhill

Sarah M. Thornhill, City Clerk