PRESCOTT CITY COUNCIL
STUDY SESSION MEETING
TUESDAY OCTOBER 30, 2017
PRESCOTT, ARIZONA

Minutes of the Study Session of the Prescott City Council held on October 30, 2017, at the Centennial Center, located at 1989 Clubhouse Dr., Prescott, Arizona.

1. CALL TO ORDER

Mayor Oberg called the meeting to order at 10:00 a.m.

2. ROLL CALL:

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

3. DISCUSSION ITEMS

A. Strategic Planning Session

In August and September 2016, Council held two strategic planning sessions to create a plan for at least the following twelve months. The goals included: Stabilizing the General Fund, Economic Development, Quality of Life, and Service-Oriented Culture.

Mayor Oberg introduced Barry Aarons who was the moderator for the session. Council reviewed the four goals to see if the strategies needed changed, updated or refined.

Goal #1-Stabilizing the General Fund, continually supporting the market compensation plan, and providing adequate and stable funding and flexibility to maintain a balanced budget as required by the Charter.

Objectives:
1. Stabilize General Fund

2. Retire unfunded liability of _____ by _____

Strategies: General dedicated sales tax
State assistance (HB 2512) – Would have excluded contributions to the Pension System from the City, Town or County's Expenditure Limitation.

Tactics: Cash, flexible financing, state matching fund, Communications Plan

Tactics: “Bankruptcy not an option”, appropriate constituents, message development and employment.

3. Legislative relief (impact fees) and revenue/expense flexibility.

Moderator Barry Aarons gave an overview of expectations for the 2018 Legislative session. This is an election year session. The budget is in a little pain with revenues projected to be $35 million cash to carry forward and there is a $25 million short fall which leaves $100 million in structural deficit. Corporate income taxes were well below expected amounts. There was a 3% growth in the 3rd quarter in the country and Arizona is tracking close to the national averages. Sales taxes and user taxes are expected to be higher over the holidays and could make up for shortfalls in corporate income taxes. The Legislature is not panicking yet about what the budget will be. The Governor’s budget is expected to be flat.

Last year the city participated in the GPLET (Government Property Lease Excise Tax). The GPLET twenty-five year abatement was modified and now has an eight year GPLET. Last year the question of the definition of slum and blithe didn’t get resolved. It is a subject judgment call and hard to define.

One of the issues that will dominate the session is water. Governor Ducey is looking at potential changes. It might be a good idea to have a discussion at a future study session. Mr. Aarons said he is deeply involved with that and could come back for a session before the legislative session begins. Exempt wells will also be an issue which includes the purchase and sale of access water among the tribes, SRP (Salt River Project), cattle growers and CAP (Central Arizona Project).

Mayor Oberg asked if he sees them continuing to ignore the $43 million for the requirement to EORP (Elected Officials Retirement System)? Mr. Aarons said they won’t be able to ignore EORP and it will need to be addressed by the political subdivisions as a group. How they address them will be a problem.

Mr. Lamar said there is concern about the new legislation for CFD’s (Community Facilities Districts) and the new physical make-up of the board. There was contradictory language in the legislation that was passed last year. Mr. Paladini said there are conflicting legal conclusions whether or not a CFD board with two non-council or does it have to a stand-alone committee with four citizens. The city and developers don’t want the latter. There is some discussion if that needs to be re-opened to clarify who should be on the board. There is a question if the legislator could ask for an AG opinion. There are a bunch of CFD’s on hold because of this issue so clarification is needed. Mr. Lamar said if you add a CFD, you want council input and decision. Mr. Lamar said if the city manager is their employee and administers the CFD, this could be problematic. Mr. Aarons said his guess would be that the board of supervisors actually serves as the board of the special district. He will follow up to find out what the intention is. There are avenues to take when asking the AG for a formal opinion.

Councilwoman Wilcox asked what the process it to bring impact fees back. Mr. Aarons said it is an issue that is always on the list but he hasn't heard the status and will check on it.

Pro Tem Lamerson said he has concerns on council oversight. The CFD's are concerning because it gives up council's autonomy in their own district for certain things to happen. Mr. Paladini said the best decision is an "either or type" decision. Staff's perspective is to recommend against using CFD's as a financial tool. Pro Tem Lamerson said Council should have some public oversight on CFD's.

Objective #1: Stabilizing the General Fund

Objective #2: Retire unfunded liability based on FY17-18 actuarial assumption in _____ years.

The Issue came up with the unfunded liability due to PSPRS (Public Safety Personnel Retirement System) and would have impacted the General Fund. Council's objective was to get the unfunded liability paid down. There were several stakeholder meeting. The Council voted to add a .75% increase in sales tax to the ballot that was dedicated only to PSPRS. It would be limited to ten years and then the .75% would go away. The ballot measure was successful and now Council has addressed working on the unfunded liability. Is this enough progress made or do is there a need to continue stabilizing the General Fund?

Mr. Lamar said it is for a ten year levy and does Council want to have a shorter goal than 10 years.

Councilwoman Orr said when they were out educating people, they talked about retiring the .75% earlier and as soon as possible.

Councilman Sischka said it is very important to establish accountability with the electorate and be responsible and pay down PSPRS sooner.

Pro Tem Lamerson said the .75% is solely dedicated to pay the unfunded liability. He agrees that it needs to be paid down as soon as possible. Mr. Paladini said it is obligated. No action would need to take place by Council.

Objective #2 A year could be identified in the obligation. This would be a measurable objective.

Councilman Blair said the sooner it is paid, the more creditability there will be for when this needs to go to the voters again. If Council can commit to so much a year then they could plan a year when it could be paid off. Councilwoman Orr said how about using a retirement date in 2023.

Councilwoman Wilcox said should the debt be paid down with other monies? She thinks it's a bad idea to commit a dollar amount each year.

Councilman Sischka said they can't commit a dollar amount for future councils.

Mr. Aarons asked f they want to take a very optimistic view and use the .75% and existing General Fund money or take a very ultra conservative view and pay off by the ten years.

Councilman Sischka said they need to maintain trust with the electorate. Let the electorate know and ask them what they want to do and be honest. Paying off in five years is disingenuous. It is up to each council to decide to keep the trust of the electorate.

Mayor Oberg said there is a lot of uncertainty in front of them. They may see an increase in unfunded liability with PSPRS. He thinks trying to set up paying this off earlier is a little optimistic and they should continue with the original intent and every year the Council can review to see where they are at that time.

Pro Tem Lamerson said the .75% is committed. Council can't commit for future councils. He can't obligate next year's budget. Mr. Aarons said there are three options:

1. Optimistic with a time frame.
2. Very conservative view point not obligating future councils.
3. Can take middle ground and pay the unfunded liability as expeditiously as practical. This will give staff flexibility.

Objective #2-Council consensus.
Retire PSPRS unfunded liability based on FY17-18 actuarial administrative and financial assumptions as soon as is possible.

Objective #3-Legislative relief (impact fees and revenue/expense flexibility)

Mr. Lamar asked what kind of help are they going to get from the Legislature with PSPRS. What are they going to do since we did what is needed. Councilman Sischka asked what kind of impact does the legislature have to change the PSPRS situation. Mr. Aarons said it will require all of the municipalities. City of Prescott decided to take hold of the unfunded liability and tried to solve it themselves. They can work with the League of Arizona Cities and Towns and get other municipalities involved. This could be an objective.

Councilwoman Wilcox said impact fees need to be addressed and reviewed. Mr. Paladini said it is complicated with impact fees because the statute is complex and no one understands what the statute requires.

Councilman Blair asked how many cities are chartered. Mr. Paladini said there are about eleven charter cities and all are represented by the AZ League. Mr. Aarons said they need to start talking with other cities. They need to let the legislators know that the impact fees need updated.

Strategies:
*Make impact fees adjustments (time constraints, operations expenses, simplify process and expand purposes).
*Revenue/expense liability.

Goals #2 Economic Development-Providing an environment to enable prosperity and job creation by ~~providing~~ better advantage of great services.

Drivers: tourism, medical, government, education, growth, and supply chain industries.

Objectives: 1. Regionalize the airport by building a destination passenger terminal and other amenities such as a restaurant and conference meeting space, lengthen the runways, and improve commercial air service.

Strategies: Federal assistance (FAA grants)
State assistance- Commerce Authority, ADOP
Create Regional Authority
Members of potential authority:
Yavapai County
Prescott
Prescott Valley
Chino Valley
Dewey-Humboldt
Ashfork
Seligman
Prescott-Yavapai Indian Tribe (federal dollars)
ERAU
Forest Service (federal dollars)

Other notes:
Larger tax base = reduced individual cost

Tactics: bonding authority, transportation authority, airport authority
Communications plan

Tactic: leverage business community to deliver message
Salesmanship – public/private partnerships, airport, industrial park

Objective #1: Take better advantage of community assets.

*Strategy: Generate revenue.

*Strategy: Explore strategies for technical trade, vocational, and other opportunities.

Objective #2: Explore Regionalization of the airport (make determination of next steps by end of FY19).

Mr. Paladini said they could work with legislators to create an enabling act for rural airport authorities. Mr. Aarons said all political subdivisions need to be included. Mr. Lamar said a great objective would be to regionalize the airport. Councilman Sischka agreed an objective could be regionalizing the airport. Another objective could be to add a passenger terminal and take regionalization away from the terminal.

Councilwoman Wilcox said she agrees it is important to have a better improved airport. Mr. Aarons said a strategy they could have is to hold a regional airport summit with stakeholders. In the past, the summits have been well attended in the various parts of the state. If the city finds out that they need to go it alone, then it might have to go to the voters. He doubts that the Legislature will pass a taxing district. He suggested having a multi-district inclusion and agreed that they want to be in it. He wasn't sure that property tax could be raised to build a terminal and nor does he think the city would want to do it.

*Strategy: Convening a greater Yavapai airport authority summit for potential stakeholder on this concept.

*Strategy: Federal Assistance (FAA), state assistance (Commerce, Authority, ADOT)

It would be important to call the stakeholders in advance and ask them what they think of the idea and then get them all in one place.

Councilman Sischka said he would like to explore regionalization of the airport by the end of FY2019. This doesn't limit us to regionalizing the airport. Mr. Aarons suggested having the summit by the end of FY2019.

Objective #3: Build a destination passenger airport terminal and other amenities such as a restaurant, conference meeting space, and lengthening the runway.

Councilman Blair said the city is missing the area of the trades and they need to be added especially with the universities and creating programs that are missing. This will help keep dollars in the community. All jobs are important: high end, medium and low end.

Objective #4: Secure a reliable commercial central air service.

*Strategy: Move to regional/commercial jet service.

Goal #3 Quality of Life-A clean and safe city that provides superior essential services and enhances opportunities that allow for retention and attraction of people who want to live, learn, work, and play in Prescott.

Objective 1: Natural Resource Preservation and Conservation – Engage in cooperative efforts with political entities, subdivisions, and private property owners to work to assure the preservation and conservation of our natural resources.

Strategies: Acquisition under plan/public ownership.
Conservation easements (hiking/biking)
Clean water bodies
Fire-wise communities
Forest health
Other notes: accessible; preserve open space

Objective 2: Highly-Rated City Services – see options below.*

Objective 3: Cultural and Recreational Experiences – To facilitate intergovernmental agreements and public-private partnerships to provide opportunities for cultural and recreational experiences.

*Options on definition of "Highly-Rated City Services".
1. Perceived as and are (measurably) delivering efficient and effective services including, *but not limited to,* transportation with improved flow, well-maintained streets, public safety, code enforcement, water and wastewater services. ~~among many other things~~

(Council removed "among other things" from the statement)

No other changes are needed.

Goal #4 Service Oriented Culture-Promote an accountable organizational culture of excellent/superior/solutions-driven service.

Objective 1: Measurably promote excellent service delivery based on trustworthy, timely, problem-solving, engaging, valuable, accessible, actionable, fair, consistent, and common-sense service as permitted by existing resources and by effective use of those resources
Other notes: Culture of enforcement changed to culture of service (attitude).

Objective 2: Promote continuous process improvement which fosters better processes and procedures to improve customer service and provide quality services at the lowest possible cost to taxpayers.

Strategy: Include employee's contribution to improved service levels on employee evaluations.

An effective communications plan will be incorporated as a tactic for each of the goals, objectives, and strategies.

Councilman Blair asked to share this information with employees. Mr. Lamar said every employee has had customer service training. The city continually works on customer service. He would like to add more performance measures department wide. The strategy is to have customer service surveys at every level.

Councilmember Orr said the customer service has improved over the past year. It is very important to be aware of customer service.

Pro Tem Lamerson said Prescott is a nice community and this can't be done without Council, employees, and citizens. Staff does their jobs well.

Mayor Oberg said there has been a major evaluation of one of the largest departments in the city to look at process improvements. It was important to invite an outside company to evaluate areas of improvement. Customer service training is important and the city is moving in the right direction. It is important to continue with a strategy of shared vision culture among employees at all levels and all departments.

Strategy-Foster culture that encourages employee morale.

Councilwoman Wilcox said the city needs to continue with maintaining the commitment to the classification and compensation study.

4. ADJOURNMENT

There being no further business to discuss, Mayor Oberg adjourned the Study Session at 12:20 p.m.

_____
Harry B. Oberg, Mayor

ATTEST:

_____
Maureen Scott, City Clerk

CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Study Session of the City Council of the City of Prescott, Arizona held on the 30th day of October 2017. I further certify the meeting was duly called and held and that a quorum was present.

Dated this _____ day of _____, 2017.

AFFIX
CITY SEAL

_____
Maureen Scott, City Clerk