CITY COUNCIL WORKSHOP MEETING

WORKSHOP MEETING MINUTES

TUESDAY, MAY 17, 2022, 1:00 PM

201 S Cortez Street
Prescott, AZ 86303
Council Chambers

Phil Goode, Mayor

Cathey Rusing, Mayor Pro Tem	Jessica Hall, Councilwoman
Brandon Montoya, Councilman	Steve Sischka, Councilman
Eric Moore, Councilman	Clark Tenney, Councilman

MINUTES OF THE WORKSHOP MEETING OF THE PRESCOTT CITY COUNCIL WORKSHOP MEETING HELD ON MAY 17, 2022, IN THE 201 S CORTEZ STREET PRESCOTT, AZ 86303 COUNCIL CHAMBERS.

1. CALL TO ORDER

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

2. ROLL CALL

Phil Goode	Mayor
Cathey Rusing	Mayor Pro Tem
Jessica Hall	Councilwoman - absent
Brandon Montoya	Councilman
Eric Moore	Councilman – excused
Steve Sischka	Councilman
Clark Tenney	Councilman

3. DISCUSSION

A. FY23 Budget Workshop Discussions.

Finance Director Mark Woodfill provided a presentation regarding the FY23 Budget and advised that the operating budget is currently available on the city website. Budgeting for five years capital projects beyond FY23.

<u>Budget Summary:</u>
* Market compensation plan is included with a 5% CPI adjustment meaning all employees in ranges will move 5% within their range and up to 2% merit (management will get 0-7% based on merit)
* There are needed additional positions included:
  - 4 long time temporary positions have been made permanent
  - 23.75 new positions (8 grant funded) have been added
* FY23 budget includes needed increase spending on public safety

* Other increases are needed to maintain current service levels because of inflation and rising energy costs
* $124.5 million capital budget is structured to include projects that can be achieved during the fiscal year and address needs that have been deferred, including vehicle replacements and facility repairs

Temp Conversions:
* Property & Evidence Technician
* Facilities Maintenance Technician
* Parks Maintenance Technician
* Fleet Mechanic

New Personnel:
* Public Safety (20.5)
    - Firefighter EMT-CEP (8 Staffing for Adequate Fire EMS Response (SAFER) Grant)
    - Firefighter EMT-CEP (General Fund)
    - Police Officers (4)
    - Public Safety Dispatchers (5 Shared with PRCC Partners)
    - Public Safety Dispatch Supervisor (Shared with PRCC Partners)
    - Administrative Specialist (.5)
    - IT Specialist II Public Safety
* Golf Course Maintenance Superintendent
* Equipment Operator – Solid Waste
* Deputy Finance Director
* Administrative Support Specialist (.25)

Councilman Tenney asked about the grant funding for the eight positions being brought on.

Fire Chief Holger Durre responded that it is for three years initially but can be renewed.

City Manager Michael Lamar added that there is no responsibility to retain staff beyond three years.

Mayor Pro Tem Rusing commented that there are no requests from the Airport for new positions.

Mr. Woodfill responded that they requested reclassification of a few positions and staff worked through that during the budget process.

Police Chief Amy Bonney and Chief Durre responded to questions from Councilman Montoya regarding recruitment for safety personnel and stated they are confident they will be able to fill needed positions with quality candidates.

Mayor Goode commented on the focused traffic enforcement and patrols that have had an impact in the community.

Mr. Woodfill continued the presentation with information regarding vehicle and equipment replacements. Many were put off during the pandemic and staff are working to get the vehicles to the level and age they need to be at. FY22 approved 49 with the budget and this year need to have 38 included in the budget.

Councilman Montoya asked if there is a rolling five-year plan on fleet replacement.

Mr. Woodfill responded that there is one and it can be shared with Council if they would like.

<u>Proposed Total City Budget:</u>
* FY22 - $238,144,301
* FY23 - $280,834,453
    - $108,185,890 General Operations
    - $8,330,625 PSPRS Tax
    - $3,980,000 Contingent Debt Service
    - $125,337,938 Capital Budget
    - $35,000,000 Contingency

Councilman Montoya asked what the contingency would be for.

Mr. Woodfill responded that it is important to have a sufficient contingency in the budget. Should anything come up that Council is not aware of at the time the budget is adopted, they would be able to cover it. The city is not obligated or necessarily planning to spend these funds; it is there in case it is needed because his preference is to not issue debt for the city.

<u>Tax by NAICS Sector FY21:</u>
* General Merchandise & Food Stores – 40%
* Motor Vehicle Sales & Repair - 15%
* Construction - 10%
* Other - 10%
* Rental - 8%
* Home Improvement Stores - 5%
* Restaurants & Bars - 5%
* Utilities - 4%
* Hotels - 3%

<u>Total Revenue (over or under FY22):</u>
* Sales Tax – increase 12.2%
* PSPRS Tax – decrease 43.6%
* Bed Tax – increase 69.3%
* Property Tax – increase 1.7%
* Franchise Tax – relatively level
* Intergovernmental – increase 30.9% (share of state income tax)
* Licenses & Permits – increase 2.9%

* Governmental Service Charges – increase 14.8%
* Fines & Forfeitures – increase 1.7%
* Utility Services – increase 0.7%
* Solid Waste Services – increase 13.9%
* Airport Services – increase 11.5%
* Golf Course Services – increase 25.9%
* Internal Service – increase 10.6%
* Other – increase 18.4%
* Total Operating Revenue – increase 6.2%

Non-Operating Revenue (over or under FY22):
* Grants – decrease 16.9%
* Debt Proceeds – decrease 6.1%
* Potential Debt Issue (Contingency) – 200%
* Total – 10.5%

Councilman Montoya asked what the impact on property owners was for the bond issue that was done for the lakes.

Mr. Woodfill responded that there are strict reporting requirements for these, in 1997-1998 when this was last done it was approximately the same as the primary property tax. It is not significant, but it was still a difference.

Councilman Tenney added that the taxpayers decided to have that added to their taxes through a vote, it was not simply a decision of the Council. The lakes have been a huge asset for our community.

Total expenditure increases are all reflective of additional positions that will be added.

FY23 General Fund Operating Expenditures:
* Police – 38.1%
* Fire – 25.8%
* Recreation Services – 11.3%
* PSPRS Unfunded Liability – 7.6%
* Library – 6.2%
* General Government – 4%
* Community Development – 4.9%
* Facilities – 2.2%

General Fund Operating Revenue:
* Sales Tax – 42.7%
* Intergovernmental – 38%
* Service Charges (parking, ball field rentals/league fees, cell phone tower rentals, plan check fees, etc) - 9.6%
* Property Tax – 3.7%

* Franchise Tax – 3.3%
* Licenses & Permits – 2%
* Fines & Forfeitures – 0.6%
* Other - 0.1%

<u>PSPRS Payments:</u>
Mr. Woodfill commented that the city should be able to retire the tax in five years which is significantly less than was anticipated (10 years), many factors have contributed to that. Currently at 84% funded - from the 24% it was when this began. Moving forward all safety will be in Tier 3 which is fully funded.

Mr. Woodfill continued with an overview of FY23 budgeted fund balances for the General Fund, Streets Fund, Bed Tax Fund, Water/Wastewater/Solid Waste Fund, and Grant/Trust/Impact Fees and Internal Services Funds.

Mayor Pro Tem Rusing asked what percent of the sales tax is sent to the state.

Mr. Woodfill responded that it is 5.6% which is paid directly to them, the amount that comes back to the cities through the shared initiative was a ballot initiative from the 1970s.

<u>Allocation of SLFRF (State Local Recovery Funds):</u>
* Allocations made by Council in February
    - Fire 110-foot aerial ladder truck - $1,820,000
    - Mobile command center - $500,000
    - Bill Valley concrete repairs - $80,000
* FY23 Proposed uses
    - New Fire Station land and vehicle - $1,600,000
    - Police Station enhancements - $300,000
    - West Granite Creek Park Improvements - $1,000,000
    - Granite Dells Gateway Park Planning - $325,074

<u>Fire Department Facilities Capital Proposals:</u>
Chief Durre provided information to Council regarding proposed facilities capital expenses for FY23 through FY28. If a station is built it has to be staffed and equipped and would increase the budget from $10,762,842 to $15,634,999 in FY28. Important to address call response time with appropriate budgeting.

Councilman Sischka asked what station alerting is.

Chief Durre continued the presentation with the reason behind improvements and addition in fire and stated that station alerting take time between call intake and notification to all stations at the same time rather than one to another. Significant differences can be made in addressing low acuity calls.

Goal:
* 1st arriving 90th percentile total response time of 6 minutes and 30 seconds
* Effective Response Force 90th percentile response time of 10 minutes and 30 seconds 90%

The Department has identified possible station additions and enhancements as follows: 1) Granite Dells station, 2) relocation of Station 73 (Airport property currently) closer to town and, 3) Watson Lake locations for new fire stations. In Granite Dells the city does not own property, but in the other areas it does and would not need to purchase.

Councilman Tenney asked what is determined a low acuity call.

Chief Durre responded that a sick person call would be a great example of this. Nationwide 911 calls have significantly increased, also seeing long term health care facilities for lift assists. These types of calls account for approximately 31% or so of our calls overall so addressing those differently would make a big difference.

Mayor Goode asked Chief Durre to address the quick truck theory.

Chief Durre responded that an Alternate Response Unit optimization would be his proposal, the unit would be moved around based on call volume evaluations, etc.

Councilman Sischka asked Chief Durre to address the use of volunteers.

Chief Durre responded that they are used on a limited basis currently, issue is with technical services and emergency response is a challenge.

Mr. Woodfill continued the presentation with Capital Projects for FY23 by Department.

Councilman Montoya asked about grant funding for the Granite Creek Corridor Project.

Deputy City Manager Tyler Goodman responded that the city is requesting approximately $1 million in grant funding and the request will be moving forward for review/approval this Thursday.

Councilman Montoya asked for a breakdown of costs on the new city hall building.

Mr. Woodfill responded that the building purchase was $7.1 million, $450,000 in next fiscal year, and approximately $4.5-4.6 million in improvements will be an estimated final cost on top of the building.

Deputy Recreation Services Director Tim Legler responded that all of the costs and increases, particularly steel, which is all over the building, delays are also impacting the work on the building.

Councilman Sischka asked staff to address if a $12 million building three years ago was to be built today what would it be now.

Mr. Legler responded that he couldn't even speak to that, everything is much more expensive today than it was three years ago or even sixty days ago, but by his estimation $15-16 million wouldn't be an unreasonable estimate at this point. This is ideally final build out costs as well.

Councilman Tenney stated that while he isn't happy about the increased cost, he isn't surprised by it at all.

Mayor Goode concurred, there is no guarantee that prices will go down or if they do when they would.

Councilman Montoya asked if the $8.5 million budgeted for open space is for a specific purchase.

Recreation Services Director Joe Baynes said it is for the Storm Ranch purchases. He added that there is funding included in the Recreation Services budget for West Granite Creek Park Improvements to tie in the area in and around the splash pad, this will be a great project and further enhance the area.

Council recessed at 2:57 p.m. and reconvened at 3:06 p.m.

Councilman Tenney asked where the proposed basketball courts will be.

Mr. Baynes responded they will be at Willow Creek Park next to the dog park. Two full courts that can be divided into half courts for shorter games. Full package of lights and fencing.

Airport Director Robin Sobotta continued the presentation regarding Airport Capital Projects. She reviewed the projects which will be city funding only and those that will be funded through grants. There are 95 lane miles at the airport which are considered in the pavement preservation program. Total of $15,396,388 in proposed projects for FY23 with much of the funding covered through FAA and ADOT contributions as well as $1.073 million in special funding coming over the next few years through ARPA and CARES Funding. Dr. Sobotta noted that for every million in grant funding the city's expense is approximately $50,000.

Mayor Goode commented that it is nice to look at the totals and see so much funding from grants and other funding.

Mr. Woodfill continued with a review from Public Works staff on their Capital Improvement Program.

Capital Program Manager Tim Sherwood discussed the Street Capital Projects:

* Street Circulation Projects FY23 Budget $2,237,000
    - Prescott Library Sidewalk/Parking Improvements
    - Prescott Lakes Parkway at Sundog Ranch Rd Signal
    - Sidewalk Traffic Repairs and Replacement
    - American Legion Sidewalk Improvement
    - Citywide Traffic Study ($400k which will be an "intermediate study")
    - Pioneer Parkway at Commerce Drive Roundabout ($1million contribution for construction and completion in partnership with the County)

Councilman Montoya asked staff to address the roundabout at Pioneer Parkway and Commerce, and what the impacts of a traffic study would be for the community.

City Traffic Engineer Ian Mattingly responded that the city will be limited to a $1 million contribution regardless of final total cost. He added that operationally a roundabout is preferred to a signal in this area in his opinion and there is an off-set in costs based on recovery from Developer Impact Fees (DIF). Traffic studies are often requested when there are concerns expressed from the community about changes in traffic, these are not typical which is why a range of costs were provided by a consultant for different types of studies. He feels looking at travel times on arterial roads would be most beneficial to look at.

Mayor Pro Tem Rusing commented that there have been many comments from the public that the developer should pay for the roundabout, this is the same developer who is putting in phases without sprinklers because he doesn't have to etc. so why would he pay for this.

Mr. Mattingly responded that there are additional phases of the project where DIF could be assessed.

Deputy Public Works Director Gwen Rowitsch added that their cost will be part of an off-site improvement fee which is part of the city code/does not require any additional agreement. The development is in the city so that is why we would work with them directly. These fees come into play for Phase 2 and will be between $300,000-400,000 approximately.

Councilman Tenney commented that it is interesting to hear that a city-wide traffic study is not common and seems like with the work CYMPO does, this could be redundant.

Mr. Mattingly responded that CYMPOs information calculates based on the current growth rates and looks at where the needs are for additional lanes and/or roads, this would be more detail related. However, it is difficult to look at a specific intersection and get existing data but not know the specifics of what is coming so you need to be strategic about how you conduct it.

Councilman Sischka commented that doing a traffic study is fine, but it may not produce the results anyone wants and would it even make a difference.

Mr. Mattingly responded that it won't solve all problems, but something like a travel time study of arterials, for example how long does it take to get down Willow Creek Road to Grove and that can help staff determine our level of service.

Mayor Goode commented that he asked for a traffic study five years ago and was surprised to know that we hadn't done one to this point, we are making huge decisions about road maintenance etc and are doing so with limited information. If we are going to commit millions of dollars to make circulation more effective, we need to look at what a legitimate study might get us to help with that.

Mr. Lamar continued that looking at the complete list of options for what can be studied and Council making a determination of how they would like to move forward could be beneficial.

Mayor Goode added that the county is the primary beneficiary of the new development and increasing property values but the city is having to spend the money, he doesn't feel we should have to pay for things when we are not getting revenue source.

Mr. Sherwood continued with the Roadway Reconstruction Projects:
* FY23 Budget $10,512,000
    - Penn Ave/Eastwood Drive

Preservation & Rehabilitation Projects:
* FY23 Budget - $10,000,000 (carryover of $1.5 million from last year is calculated in).
    - Pavement Preservation Program
    - Pavement Rehabilitation Program

Goal is to increase our pavement quality index every year and these projects are how staff works to accomplish that. It is an essential service, but as with everything costs are going up and it is difficult to balance how we will manage what is done and where.

Public Works Director Ashely Couch added that areas that are subject to freeze/thaw target is 75 PMI but it depends on the area. People form an opinion based on what the roads look like, and this is a policy decision by council to determine what the target is. There is a deterioration curve and as long as the maintenance is being done that is helpful. With that direction from Council staff can determine the various scenarios to make that work.

Mayor Pro Tem Rusing asked about the 1% dedicated road tax and how much it generates annually.

Mr. Woodfill responded that it generates approximately $22 million/year and HURF does $4.6 million/year. Should run through 2035. There is a lot of costs in the Streets fund that goes toward snow removal/signalization and more.

Drainage Improvements:

FY23 Budget - $840,000 (Yavapai County Flood Control will help)
- Penn/Eastwood Detention Basin Project

Water Capital Projects:
* Water Production Projects - $38,850,000 budgeted (Intermediate Pump Station and Water Production Facility; Zone 56 Tank/Pipeline/Pump Station; CV Production Well No. 3 Rehabilitation; Zone 52 Water Main to NW Regional Tank)
* Water Distribution Projects - $2.9 million (Juniper Vista/Karen Drive, Mullen Way Water Extension)
* Water Quality Projects – FY23 $375,000 budgeted for Watson Lake improvements (aeration and fish). Staff is working with Game & Fish on this project to determine the best needs

Ms. Rowitsch added that a reimbursement district will be formed to help fund the Mullen Way Water Extension Project, only those who connect will help to pay. There is no sunset date so if at any time in the future someone listed within the district wants to connect they would do so in the same manner. Connection will depend on actual cost and is completely voluntary. If there is a vacant parcel it would be the same process when the build a home and they connect it will be required.

Mayor Pro Tem Rusing asked for clarification on the different Zone production facilities.

Mr. Sherwood responded that this will serve north Prescott and the greater city as a whole, this is an intermediate stop that helps reduce the wear/tear on the system, helps to bring the airport wells in, etc. Will be covered by a WIFA Loan that has already been approved by Council, will go before the board in June for approval on second one and rate will be set at that time.

Wastewater Capital Projects:
* Wastewater Collection - $6,130,700 (Sundog Trunk Main Phase C; Ruger Road Sewer Main Extension, Slaughterhouse Gulch Sewer Improvement)
* Wastewater Treatment Projects - $1,456,000 (Centralization Effluent Tank/Pipeline/SR89 Widening; Centralization Sundog Equalization Basin/Plan Decommission). Plan to do extensive outreach on these projects

Mayor Goode asked for information on the SR89 Widening.

Mr. Sherwood responded that the plan is to get input from the community on projects in this area, and hope to do these projects in conjunction with utility and roadway components. Part of the five-year plan.

Ms. Rowitsch added that as part of the DIF collection this project has to be completed within 10 years but it must be done in specific phases because of the utility component. Plan is to get community input and begin design in FY23, moving into FY24 begin design of the road with actual work on construction beginning in FY25 to be completed by FY28.

Mayor Pro Tem Rusing asked what the cost would be to put a four-lane highway in this area.

Mr. Mattingly responded that is unknown at this time specifically, it has only been looked at preliminarily, approximately 1.8 miles of actual road. Partially funded through impact fees, road tax, etc.

Ms. Rowitsch stated that $26 million is the estimate to include roadway, tank and pipeline. This estimate was done in 2021.

Councilman Montoya asked if there are any concerns related to blasting of the granite in that area.

Mayor Goode responded that it won't be blasted rock removal techniques have evolved.

Mr. Sherwood concurred, there are many different ways to do the work depending on the hardness of the rocks and he doesn't anticipate that it will be as bad as some people might think.

New Facilities:
* FY23 Budget $1,602,000 (Streets Division Snow Facility, Solid Waste Additional Scales and Fee Booth)

Vehicle Purchases:
* Replacements (6 replacements)
* New (9 new pickups, dump truck for streets, skid steer and golf cart).

Mr. Woodfill continued that the PW Capital Budget for FY23 is $80,444,910.

Upcoming Steps in Budget Process:
May 31 – Tentatively Scheduled Budget Workshop if necessary
June 14 – Tentative Budget Adoption, publishing of tentative budget
June 28 – Public Hearing on budget and alternative expenditure limitation; Adoption of final budget
July 12 – adopt property tax levies

Council consensus that a secondary budget workshop is not needed.

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 4:42 p.m.

PHILIP R. GOODE, Mayor

ATTEST:

SARAH M. SIEP, City Clerk

CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Workshop Meeting of the City Council Workshop Meeting of the City of Prescott, Arizona held on May 17, 2022. I further certify the meeting was duly called and held and that a quorum was present.

Dated this 1 day of July, 2022.

AFFIX
CITY
SEAL

Sarah M. Siep, City Clerk

<u>Transcript from May 17, 2022 Budget Workshop</u>

Transcript Begins at 2:56:20

Capital Program Manager, Tim Sherwood: "Continuing on with our Water Production projects, the Zone 56 Tank and Pipeline Station. Actually, that should say the Zone 56 Tank Pipeline and Zone 57 Pump Station they are basically neighbors to each other. But their purpose is two different zones. That will go up behind the York Motors Dealership in that area, up on that hillside, up above old Bullwhacker Hill. And that will come to you guys next Tuesday for a construction award. The Chino Valley Production Well No. 3 Rehabilitation is the site map you see in the lower right-hand corner. That well location is at Road 2 North and Road 1 East in Chino Valley, the same proximity as Well No. 4 and Well No. 5 which we have previously rehabilitated. The design for that is complete and then we will start construction on that in October. We will be brining the construction contract to you, Council, in June. I believe June 14 so we can start acquiring those long lead time items. It's not a well we want to take down during peak demand, we want to do it off-demand. So we typically do rehab these wells in the fall and in the wintertime. And then the last project you see there is the Zone 52 Water Main to the Northwest Regional Tank. The Northwest Regional Tank is located on the north side of Southview near Pioneer Parkway and Williamson Valley Road. This water main will extend down Williamson Valley Road to the Longview subdivision, currently Longview is in Zone 51. It has a single solitary feed, this will give them a much more reliable feed. We will be able to eliminate a lift tank as well as a pump station by doing this project."

Mayor Goode: "Mayor Pro Tem."

Mayor Pro Tem Rusing: "I have a question."

Mr. Sherwood: "Sure."

Mayor Pro Tem Rusing: "Sometimes its confusing when you talk about Zone 56, Zone 52 so I would just like some clarification. This is the pump station and water production facility? Is this the one that is west of the Airport, west of 89?"

Mr. Sherwood: "Yes."

Mayor Pro Tem Rusing: "And it's going to serve, in the future, growth and development in the north part, in our growth corridor plus the traditional part of Prescott?"

Mr. Sherwood: "Yes, it will still serve the greater city as a whole. It is just, it is exactly what it sounds like. It is an intermediate stop, it reduces our pressures leaving Chino Valley, reduces the wear and tear on the system, the amount of power it requires us to get that water out of there. And it also allows us to bring the Zones out of the Airport, the new Airport wells, bring those into the system as well. But it will serve the City as a whole as well as north Prescott."

Mayor Pro Tem Rusing: "Ok. So it looks here, the way you have it set up that we are going to do two WIFA loans for $38.5? I mean $38 million."

Mr. Sherwood: "We are doing a second WIFA loan. We had an initial WIFA loan for the first part of the project, and as we talked about as costs have escalated we've gone after a second WIFA loan we are going to their Board in June."

Mayor Pro Tem Rusing: "That's a pretty big, pretty big number there."

Mr. Sherwood: "Yes it is."

Mayor Pro Tem Rusing: "And it's a 30-year 1.5% on both of them?"

Finance Director, Mark Woodfill: "No the first loan was set and it was 30 years and 1.6 or something. The second loan will be set when we close. So it will be whatever the rates are at that time. So the closing, if we go to the Board in June, the Board approves, the closing will be in July or August and it will be set at whatever the market is at that time."

Mayor Pro Tem Rusing: "Ok. A lot of debt there."

Mayor Goode: "Yeah, we'll have that second with an open market committee."

Deputy Public Works Director, Gwen Rowitsch: "Do you want to hit that next slide."

Mr. Sherwood: "Yep."

Ms. Rowitsch: "Ok so the next water project we are going to do next year is our Watson Lake Improvements."

End of transcript: 3:00:28