

MINUTES OF THE STUDY SESSION OF THE SHOW LOW CITY COUNCIL HELD ON TUESDAY, JANUARY 19, 2021 AT 6:00 P.M. IN THE CITY COUNCIL CHAMBERS, 181 NORTH 9TH STREET, SHOW LOW, NAVAJO COUNTY, ARIZONA

1. Call to Order.

Mayor Leech called the meeting to order at 6:00 p.m.

2. Roll Call.

COUNCIL MEMBERS PRESENT: Mayor Leech, Vice Mayor Kakavas, Councilman Adams, Councilman Allsop, Councilman Clark (arrived at 6:04 p.m.), Councilman Hatch, and Councilwoman Wilson.

COUNCIL MEMBERS ABSENT: None.

STAFF MEMBERS PRESENT: Ed Muder, City Manager; F. Morgan Brown, City Attorney; Justin Johnson, Deputy City Manager; Bill Kopp, Public Works Director; Jay Brimhall, Community Services Director; Brad Provost, Police Commander; Joe Shelley, Police Chief; Cari Bilbie, Accounting Manager; Rachael Hall, Deputy City Clerk; and Tamra Reidhead, City Clerk.

GUESTS: Kelly Boyer.

3. Discussion of Fiscal Year 2022 Budget Process and Overview.

Mr. Johnson said planning had begun for the fiscal year 2022 budget (July 1, 2021, through June 30, 2022). The goals of the budget process were to provide opportunities for citizen input and transparency (with forms available online for budget requests) during the budget process, provide a method to allocate funding throughout the organization based on priorities and projected revenues, maintain existing levels of service, continue supplemental payments to reduce the Public Safety Personnel Retirement System (PSPRS) liability, ensure that the Council's high-priority programs continued to be funded, and continue to provide a balanced budget.

Mr. Johnson said the City applied the base budgeting method, wherein current estimated costs associated with providing current levels of service were used as the starting point. Budget requests were prioritized based on the Council's goals and what was most critical, and justification was required for increases and other selected accounts. City departments would increase or decrease their base budgets by identifying changed priorities or uses, identifying actual expenses, and identifying new, modified, or expanded programs.

Mr. Johnson said the City Manager's recommended budget would be delivered to the Council on April 2. The budget would be balanced and would include

revenue details, expense line item amounts, and requested and recommended amounts. The budget would reflect the four main Council goals: infrastructure (preserving existing assets), quality of life, economic/community development, and the overall organization of the City.

Mr. Johnson reviewed and compared the City's annual expenditures from fiscal years 2017 through projections for 2022, which didn't include carryovers and new capital projects. Fiscal year 2021's adopted budget was \$60.3 million and the estimated budget for fiscal year 2022 was projected at \$53.7 million, which included all capital improvement projects. The budget was tracking well and actual expenditures would continue to underspend the budgeted amount. This number would change as the budget process progressed, which lessened carryover amounts.

Mr. Johnson said estimated operating revenues for all funds for fiscal year 2022 came to \$34,452,307. He noted that preliminary estimates were lower than estimates for fiscal year 2021 because of reduced grant revenue from projects being completed. These figures weren't finalized since state projections hadn't been received yet and would be revised further along in the budget process.

Mr. Johnson said City sales tax collections (a 2% tax rate) comprised the City's primary revenue generator. Local sales tax projections for fiscal year 2021 remained conservative, similar to the previous year's projections. Staff estimated local sales tax collections would be about \$10.5 million.

Mr. Johnson said projections for state-shared revenues remained the same as fiscal year 2021 because the City had not yet received any estimates from the state. For use fees, projections were based on the fiscal year 2021 at 95% of fiscal year 2020 actuals.

Mr. Johnson said expenditures for all funds in fiscal year 2022 were based on the same amounts from fiscal year 2021. He said planned budget items included conservatively projecting 95% of prior-year actuals (or less if there were unknowns, possibly as low as 90%) for revenue; maintaining a Council Contingency budget of at least \$300,000, although the Council had the discretion to increase that amount; continually monitoring debt service seeking opportunities to pay down or pay off debt when funds were available; a wage increase for employees; maintaining three months of operating reserves for the general fund and wastewater and water funds; and budgeting additional funds to decrease the City's PSPRS liability.

Mr. Johnson said citizen involvement was a key part of the budget process. It included a CIP (Capital Improvements Plan) committee, which had met several times and had forwarded recommendations for a five-year CIP project (projects valued over \$50,000) list, which was adopted by the Council in December, and two town hall-style meetings for public input (January 21 and April 15). Staff

would present a recommended budget to the Council at the regular meeting on April 6 plus hold several budget study sessions in April with the Council. The public was invited to participate in any or all of these meetings, which would follow the budget calendar adopted by the Council in December.

Councilman Clark asked if the City was looking into expanding the work force due to an influx of residents moving to the area. Mr. Johnson said yes, some departments may request additional personnel. Each request would be reviewed after the department submitted justifications for the request.

Vice Mayor Kakavas said the conservative budgeting that the City continued to plan for helped during the COVID-19 pandemic. She mentioned other communities had to make significant adjustments and furlough employees due to their budgets during the pandemic.

Mayor Leech asked for the upcoming budget meetings to be posted for citizens. Mr. Johnson said the calendar for the budget meetings was posted on the City's website and social media.

4. Discussion of Flooring Replacement at City Campus Gym.

Mr. Kopp said the fiscal year 2020-21 budget included \$55,000 for replacing the carpet in the City Campus gym. Staff received a quote from Continental Flooring, a state bid contract flooring vendor, for approximately \$28,000. The work included removing the old carpet, furnishing and installing 6,200 square feet of Mohawk Broadloom carpet with court striping, and adding new cove and base.

Mr. Kopp said at the Council Retreat in October, Council members expressed concerns about the carpet and whether it was the appropriate material to use in the facility. Because of the concerns expressed by the Council, staff prepared and reviewed additional information that compared four options for flooring to the Council at a study session on November 23. The Council directed staff to provide additional information on two more flooring options: interlocking rubber panels, and pad and pour flooring.

Mr. Kopp said the interlocking rubber tiles would cost \$65,000 and had a 10-year warranty. He said the pad and pour flooring would cost \$65,000 to \$75,000 and had a 15-year warranty.

Mr. Kopp suggested installing sound-proofing panels if the flooring was any other type besides carpet. Sound-proofing panels would cost \$10,000 for two rows of two-by-four foot panels.

Councilwoman Wilson said the pad and pour flooring option seemed to be sturdy and had a high rating for warranty. Mr. Kopp said yes, the pad and pour flooring was comparable to the vinyl flooring in regards to warranty.

Councilman Allsop visited Mountain Christian School to see their vinyl flooring and said the vinyl flooring seemed nice and was in good condition for being eight to ten years old.

Vice Mayor Kakavas asked if the Council had determined not to replace the flooring with carpet. She said the pad and pour and carpet options had the best rating on staff's chart. Councilman Clark preferred not to have carpet. Councilman Allsop preferred the vinyl flooring.

Mr. Muder asked if the Council would like to review more bids on the vinyl and pad and pour flooring options. The Council directed staff to obtain more quotes for the vinyl and pad and pour flooring options to review at a future meeting.

Councilman Allsop suggested getting the minimum of sound-proofing panels to see how well it worked and add more panels as needed in the future.

Vice Mayor Kakavas asked where the additional funds would be budgeted from if the Council decided on another flooring option other than the carpet. Mr. Kopp said there were remaining funds in the Council's contingency budget that could be used for this project.

Mayor Leech asked when the different type of flooring options could be installed. Mr. Kopp said the carpet was a two-week waiting period, and the other flooring options would be a minimum of six weeks.

Mr. Kopp said he would gather updated quotes for vinyl flooring and look for it on state contract.

5. Adjournment.

There being no further discussion, **MAYOR SEYMORE ADJOURNED THE STUDY SESSION OF THE SHOW LOW CITY COUNCIL OF JANUARY 19, 2021 AT 6:34 P.M.**

ATTEST:

APPROVED:

Rachael Hall, City Clerk

John Leech, Jr., Mayor

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 Show Low held on January 19, 2021. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this _____ day of _____, 20____.

(SEAL)

Rachael Hall, City Clerk