

**MINUTES OF THE BUDGET TOWN HALL AND STUDY SESSION OF THE SHOW LOW CITY COUNCIL HELD ON THURSDAY, APRIL 15, 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, 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; Joe Shelley, Police Chief; Brad Provost, Police Commander; Jeff McNeil, Police Commander; Rick Austin, Public Works Manager; Jay Brimhall, Community Services Director; Cari Bilbie, Accounting Manager; Bill Kopp, Public Works Director; Judge Shirley Patterson, Court Magistrate; Justen Tregaskes, Planning and Zoning Director; John Wilhelm, Building Official; Shane Hemesath, City Engineer; and Rachael Hall, City Clerk.

**GUESTS:** None.

3. Invocation.

Councilman Hatch gave the invocation.

4. Pledge of Allegiance.

Mayor Leech led the Council and audience in the pledge of allegiance.

5. Budget Town Hall and Review of Recommended Budget for Fiscal Year Ending June 30, 2022.

No citizens were in attendance for Budget Town Hall session.

Mr. Johnson said that tonight's meeting would begin overview and discussion of the budget for all City departments. If needed, a study session on April 22 would be held to complete discussions. At the May 18 regular meeting, staff would provide an overview of the tentative budget changes. He said the adoption of the tentative budget was scheduled for June 1 and the final budget would be adopted

at the June 15 meeting. The secondary property tax levy would be adopted at the July 20 meeting.

Budget discussion began with the Magistrate Court budget of \$109,399, a 6.83% increase over FY2021. Extra funds were added for the contract with Navajo County for Court Clerk. The Court had 1 FTE (full-time equivalent) and contracted with Navajo County for the Court Clerk. Court staff would continue to use JCEF and other restricted court funds for specific uses within the court, such as travel, training, and eligible expenses.

Discussion turned to the Planning and Zoning budget of \$771,737, a 23.82% increase over FY2021. This department budgeted for an additional 1.0 FTE to a total of 7.0 FTEs and seven Planning and Zoning Commission members (not included as FTEs), with 89.2% of the total budget for salaries and related expenses. Cost drivers included personnel costs and purchasing a four-wheel drive truck. The additional 1.0 FTE was for a building inspector due to a significant increase of building permit applications and new residences being built. More staff was needed to keep up with permit applications, building inspections, and counter traffic in Planning and Zoning department.

Councilman Allsop asked if 1.0 FTE would be sufficient if building permit submittals continued to increase. Mr. Johnson said yes, staff believed that one more building inspector should be sufficient. Mr. Muder said the Council approved for a 0.5 FTE during the FY2021 to hire a permit technician. Staff posted the open position but did not receive any qualified applicants. Staff then reposted for a building inspector position to help with building inspections, building permit submittals, and counter traffic and recently hired for the position. Staff's request for an additional position in the FY2022 would not be posted to fill until it was deemed necessary and sustainable due to continued building permit submittal increases.

Discussion moved to the Community Services Department, Administration division with a budget of \$268,920, a 3.45% increase over FY2021. There were 2.0 FTEs, with 81% of the budget for salaries and related expenses. The increase was due to personnel costs.

Discussion turned to the Library budget of \$586,260, a 2.33% increase over FY2021. This division had 8.5 FTEs, with 76% of the budget for salaries and related expenses. Other expenses included utilities and \$357,400 in capital for a library expansion, contingent on receiving \$83,500 in grant funds.

Councilwoman Wilson asked for a justification on health insurance increase. Mr. Johnson said staff budgets for health insurance coverage for an employee's entire family but not every employee enrolled in the family coverage.

Discussion moved to the Recreation budget of \$451,326, a 2.41% increase over the FY2021 budget. This division had 6.3 FTEs, which included three full-time employees, with 55% of the budget for salaries and related expenses. Besides salaries, the largest cost drivers were special events and the after-school program. Direct revenue was estimated at \$138,000.

Discussion turned to the Aquatics budget of \$573,292, a 2.35% decrease from the FY2021 budget. There were 8.5 FTEs, which included one full-time employee. There were direct revenues from fees, estimated at \$94,800. The budget's decrease was due to completion of capital projects in FY2021.

Vice Mayor Kakavas expressed concerns about the operating hours at the aquatic center. Mr. Brimhall said the aquatic center was closed for several months last year due to COVID-19 but had been slowly opening up. He said by early May there would be more operating hours to accommodate citizens.

A couple of Council members expressed concerns on pay rate for life guards at the aquatic center.

Discussion turned to the Public Works department. Mr. Johnson said the first division was the Airport budget of \$2,595,031, a 7.31% decrease over the FY2021 budget or a 6.25% decrease when adjusted for capital projects. There were 5.5 FTEs. The main cost driver was fuel for resale (with offsetting revenues). The budget included capital expenditures of \$1,388,466, including \$70,000 for south safety and security fence, \$1,221,966 for rehabilitation south apron construction, \$80,000 for drainage improvements on south ramp design, and \$16,500 for HVAC system.

Discussion moved to the Engineering budget of \$839,667, a 0.35% increase over FY2021. There were 6.5 FTEs, and the main cost driver was salary and related expenses.

Discussion moved to the Parks and Facilities Maintenance budget of \$2,107,822, a 6.61% decrease over FY2021. When adjusted for capital purchases, the increase would be 12.97%. The cost drivers were repair and maintenance costs and small equipment/capital. There were 8.0 FTEs. Capital expenses for FY2022 totaled \$689,912, including \$130,000 for rehabilitation on tennis courts; \$250,000 for City Campus Master Plan, phase 1; \$130,000 for City Campus Master Plan Improvements—roof replacement; \$119,912 for Show Low Lake fishing docks; and \$60,000 for four-wheel drive service truck.

Mayor Leech asked if the City was responsible for the Fools Hollow Lake fishing docks. The fishing docks had been broken for a few years. Mr. Kopp said no, the City did not own the fishing docks. He believed Arizona Game and Fish and State Parks were discussing the issues and who should fix them.

Councilman Adams asked if there were any plans for additional basketball courts. Mr. Kopp said no, there were not any plans for additional basketball courts at this time. He said the basketball court at the City Park was just fixed and resurfaced. He said there was also a basketball court at Nikolaus Park that did not seem to get used and maybe staff could look into fencing materials to enclose the court better.

Discussion turned to the Streets/HURF (Highway User Revenue Fund) budget of \$6,183,183, an 8.15% increase from FY2021 or a 7.06% increase when adjusted for capital. There were 11.0 FTEs. The majority of increase was for several capital project expenditures totaling \$4,857,415, including \$475,000 for the R&R (rehabilitation and rejuvenation, such as slurry sealing) program; \$1,244,815 for Scott Ranch Road; \$280,000 for general improvements; \$225,000 for Hall Street and 11th Street box culvert; \$305,000 for East Owens/Central Avenue to 2nd Street extension; \$300,00 to lower powerlines; \$60,000 for downtown parking on East Cooley; \$140,000 for East Willis improvements; \$1,187,600 for Joe Tank Road improvements; \$75,000 for lower shop remodel; \$80,000 to purchase of skidster and shoulder machine (split with water funds); \$135,000 to purchase massey mower; \$270,000 to purchase ten-wheel dump truck; and \$80,000 for a service truck. There was a General Fund subsidy of \$1,514,504.

Discussion turned to possible street improvement projects to finance with a cost of \$2,115,000, including \$540,000 for West McNeil Fox Canyon to Deuce of Clubs replacement; \$430,000 for McNeil Acres subdivision reconstruction; \$230,000 for Park Plaza subdivision reconstruction; \$455,000 for Nikolaus subdivision; \$220,000 for 16th Avenue/Owens to McNeil; and \$240,000 for sidewalk connectivity phase 2. Mr. Johnson said finance rates were really low and it could be a good time to finance some projects that needed to get completed.

Mr. Hemesath said the City had gotten behind on sewer improvement projects which then led to being behind on street improvements.

Discussion turned to the Water Services fund of \$8,067,326, a 1.57% increase over FY2021 or a 9.3% increase when adjusted for capital. There were 15.0 FTEs with the requested addition of 1.0 FTE. Rate revenue was estimated at \$4,514,084, with a \$1.9 million reserve for a future water treatment plant and \$1,179,061 for three months in operating reserve.

Mr. Johnson said water services capital projects costs of \$8,067,326 included \$133,310 capital carryover; \$400,000 for general improvements; \$160,000 for Mills from Owens to 6th Place; \$200,000 for water treatment plant; \$370,000 for East Owens/1st Street to 11th Street; \$250,000 for well operations plan and water system management; \$270,000 to purchase ten-wheel dump truck;

\$80,000 to purchase skidsteer and shoulder machine (split with Streets); \$123,718 for McNeil and 1st Drive; \$181,175 for 300K tank site improvements; \$250,000 for water storage tank maintenance; \$370,874 for backup generators; \$70,000 for new well design; \$1,000,000 for million gallon water storage tank; and \$507,500 for Fawnbrook phase 1. Mr. Johnson said there was a \$35,000 revenue projection capacity fees and \$1,170,190 fund balance for future capacity projects.

Councilman Allsop asked if the City's ten-wheelers were in bad shape. Mr. Austin said the City was looking to auction off the oldest ten-wheeler, which was over 20 years old.

Councilman Clark asked if the City had plans to expand water service outside of the city limits. Mr. Kopp said no, typically the only time the City expanded water service was during an annexation of properties into city limits.

Discussion turned to the Wastewater fund of \$4,360,752, an 11.2% increase from FY2021 or a 2.66% increase when adjusted for capital. There were 12.0 FTEs. Rate revenue was estimated at \$3,113,078. Capital expenditures of \$2,218,364 included \$92,583 for the Days Inn sewer line; \$150,000 for automated screen rake for Fools Hollow lift station; \$630,000 for the Savage sewer line replacement phase 1; \$15,000 for the Show Low South land exchange; \$75,000 to purchase easement cleaning machine; \$190,000 for the manhole replacement program; \$625,000 for McNeil from 4th Street to 8th Street improvements; \$100,000 for general improvements; \$50,000 for backup generators; \$60,000 to purchase service truck with plow; and \$70,000 to purchase service truck with crane and plow.

Discussion turned to possible wastewater projects to finance with a cost of \$4,657,000 including \$290,000 for Park Plaza subdivision wastewater replacement; \$125,000 for Wayne Berry lift station removal and extension; \$730,000 for McNeil Acres wastewater replacement; \$500,000 for Camptown wastewater replacement; \$150,000 for automatic screen at Bagnal lift station; \$477,000 for 6th Street sewer line improvements; \$660,000 for 6th Place and 5th Place (Nikolaus subdivision) replacement; \$285,000 for West Stock to SR260 reconstruction; \$200,000 for wastewater master plan update; \$570,000 for 11th Street sewer replacement; and \$670,000 for Savage wastewater replacement phase 2. Mr. Johnson said there were low interest rates with a possibility of 10% back in forgivable principal from Water Infrastructure Finance Authority of Arizona. These projects were prioritized and were holding up street improvement projects. Wastewater projects had to be completed before repaving streets.

Mr. Johnson said for Wastewater Capacity/Impact Fees, staff anticipated \$150,000 in revenue from fees and a fund balance of \$1,354,347 for future

projects, including \$352,800 to be used for the Savage sewer line replacement project.

Discussion moved to the Police department. The overall budget of \$10,960,683 was a 17.99% increase from the FY2021 budget. In FY2021 \$1.3 million was programmed for a payment to the Public Safety Personnel Retirement System (PSPRS) to go towards the deficit. For FY2022, \$1.5 million was included for a one-time payment to the PSPRS toward the deficit. When adjusted for the City's one-time PSPRS payment, the budget increased 18.41%. The department had 60.3 FTEs an increase from 57.3 FTEs in FY2021 (two FTE increase for sworn officers contingent on police staff study, one FTE reduction of communications dispatcher, two FTE additions for communications dispatcher contingent on addition of two additional partners for regional dispatch center.) There were 34 sworn positions (with additional two FTE officer positions), and with 78.8% of the budget spent on personnel costs for five divisions.

Several Council members expressed concerns with vacancies of dispatchers and police officers and asked staff to research ways to be competitive and attract qualified candidates.

Mr. Johnson said the Operations budget was \$8,649,195, a 19.43% increase over FY2021 or a 20.32% increase when adjusted for the additional PSPRS payment. The main cost drivers were 80.25% for personnel costs and \$1,500,000 for PSPRS. Capital expenditures of \$1,135,651 included \$665,651 for dispatch move/remodel project; \$35,000 for IT upgrades for software and hardware; \$75,000 for shooting range improvements, \$150,000 for evidence building; and \$210,000 to purchase four vehicles.

Councilman Clark asked for staff to research funding a shooting house for the shooting range for law enforcement.

Discussion turned to the Investigations budget of \$34,800, a 10.07% decrease from FY2021. All personnel costs were included in the Operations budget. The main cost drivers were rental and maintenance contracts.

Discussion turned to the Administration budget of \$77,120, a 7.86% increase from FY2021. All personnel costs were included in the Operations budget. The major cost driver for the increase was due to travel and training for staff.

Discussion turned to the Communications budget of \$2,024,044, a 14.75% increase over FY2021. There were 19.3 FTEs. The major cost drivers were a reduction of one FTE, an increase of two FTEs (contingent on the addition of two additional partners for the regional dispatch), and travel and training. Dispatching revenue was estimated at \$950,447.

Discussion turned to the Animal Control budget of \$175,524, a 0.86% increase from FY2021. There were 2.0 FTEs, with major cost drivers being personnel costs at 81.9% of the budget.

Discussion turned to the City Attorney budget of \$298,893, a 0.62% decrease from FY2021. The department had 1.6 FTEs, with 79.2% of the budget used for salaries and related expenses.

Discussion turned to the City Clerk budget of \$362,736, a 0.69% increase over FY2021. This division had three FTEs, with the added Communications Manager in FY2021, and 83% of the budget used for salaries and related expenses. The budget also included election expenses estimated at \$18,000, which showed a decrease from \$39,000 in FY2021 due to election cycles.

Discussion turned to the Show Low TV budget of \$235,785, a 4.8% increase from FY2021. The division has 2.3 FTEs, with major cost drivers being personnel costs at 86% of the budget.

Discussion turned to the Debt Service Fund of \$1,272,622, a 5.44% decrease from FY2021. The General Fund subsidy (transfer) would contribute \$1,238,754. Outstanding debt did not include the Community Facilities District assessment.

Discussion moved to the Self-Insurance Fund (for medical and dental insurance) of \$2,106,000, same as FY2021 budget. The major cost drivers were insurance premiums and wellness program. The self-insurance fund was fully funded and in good shape.

Discussion moved to the Cemetery budget of \$115,000, a 9.5% increase over FY2021. The major cost driver was \$70,000 for a cemetery expansion project in FY2022, \$20,000 for signage (carried over from FY2021), and \$10,000 for cemetery markers. Direct revenues were estimated at \$39,650 with a maintenance reserve fund of \$220,000, which had built up over the last few years.

Discussion moved to the Sanitation budget of \$1,112,000, a 7.23% increase over FY2021. The CPI (Consumer Price Index) rate adjustment in July allowed for an adjustment in monthly fees and staff received CPI information from Waste Management in March. The monthly rate in FY2021 was \$15.78. Rate revenue was estimated at \$1,100,000 from approximately 5,711 refuse customers.

Discussion moved to the Show Low Bluff Community Facilities District (CFD), a legally separate unit of government with its own budget. The CFD included two funds, one for the special assessment bond and the other for the general obligation bond/operations.

Mr. Johnson said the special assessment bond was issued in 2007 for \$2,014,000. Assessment billings were sent by the City to all property owners in the CFD in June (for principal and interest) and December (for interest only). The FY2021 budget was \$169,480, with an annual debt service payment of \$151,060 covering 227 parcels (of which Show Low Bluff Development owned 136 parcels, 60% of all parcels). The debt service amount of \$1.3 million was scheduled to be paid off in 2031. The general obligation bond was paid off in FY2020 so there was no tax assessment on those properties.

Discussion turned to the Street Light Improvement District budget of \$210,000, a district that covered the entire City to pay for utility costs for street lights and park lights (it couldn't be used for maintenance). The maximum allowable tax rate was \$1.20 per \$100 of assessed valuation per state law. With increased valuations, staff recommended no rate increase for the fourth year in a row, keeping it at \$0.1401 per \$100 of assessed valuation. This equated to about \$17.86 a year for a home valued at \$150,000. The Street Light District was budgeted to be subsidized by \$15,000 from the General Fund if needed.

Discussion moved to the Projects Fund (for capital projects and grants) of \$8,340,900, with \$6.0 million in unanticipated revenues and expenditures. Any unanticipated expenses would have to be approved by the Council. This fund included a General Fund subsidy of \$862,233 for a range of capital projects, including \$30,000 for the Court; \$101,000 for the Library; \$1,550,000 for Parks/Facilities Maintenance; and \$659,900 for Community Services.

Discussion moved to the Administrative Services department, which included Human Resources, Information Systems, Finance, and Public Transportation. The Human Resources budget of \$381,114 was a 10.83% increase over FY2021. The department had three FTEs, with 83.8% for salaries and related expenses. Some of the increase in this budget was attributed to the increased cost for professional and consulting services for city-wide supervisory training, increase in Public Safety Retirement Board, and increased fees for random drug/alcohol testing and immunizations.

Discussion turned to the Information Services budget of \$473,789, a 13.3% increase over FY2021. This division had two FTEs, with 43.4% of the budget for salaries and related expenses. Other cost drivers included small equipment/capital purchases.

Discussion moved to the Administrative Services/Finance budget of \$928,935, a 12.82% increase over FY2021. This department had seven FTEs, with 68.2% of the budget for salaries and related expenses. Other cost drivers included professional and consulting services and the purchase of a new fleet vehicle.

Discussion turned to the Public Transportation budget of \$733,499, a 9.10% decrease from the FY2021 budget. The major cost driver was the contract with MV Transportation, the operators of the system. The system included the Four Seasons Connection and the White Mountain Connection, with Show Low contributing \$100,876, supplemented by federal grants of \$432,025 and partner funding of \$173,217.

Discussion then moved to the various budgets listed under Administration. The first was the City Council budget of \$409,093, a 0.49% increase over FY2021 due to increase in dues and memberships. The FY2021 budget included \$300,000 in the Council Contingency line item, which was 73.3% of this budget.

Discussion moved to the City Manager budget of \$533,827, a 2.08% increase from the FY2021 budget. The department had two FTEs (the City Manager and Business Development Coordinator), with 88.5% of the budget used for salaries and related expenses. The budget also included \$15,000 for economic development.

Councilman Clark asked for staff to research purchasing a curtain for the Show Low High School basketball courts to help separate the courts for more playable spaces. Mr. Muder said staff was in contact with the Show Low School District Superintendent for this project and would follow up with him.

Councilman Adams asked staff to research fire department options. Mr. Muder said yes, staff would do more research for fire department options.

Discussion moved to the General Operations budget of \$7,257,462, a 2.56% decrease from the FY2021 budget. This budget included \$3,655,562 for inter-fund transfers; \$410,000 for general liability insurance; \$323,683 in organizational support/community promotions; \$25,000 for the right-of-way landscaping program; \$29,000 for the Arizona Department of Revenue to process sales tax and other tax information; \$650,000 for land acquisition and cleanup; and \$208,500 for other contractual services.

Discussion turned to funding requests for community promotions and organizational support. The increases in funding requests were reviewed by a committee that recommended \$45,000 for White Mountain Meals on Wheels/Senior Center even though they requested \$80,000. The Show Low Main Street requested an increase of \$5,000 (total of \$20,000) but the committee recommended \$17,500. The Show Low Historical Society requested an increase of \$2,000, and the committee recommended to increase the budget amount to \$36,000. A new request was received from Fishers of Men for Veterans requesting \$2,250 but the committee recommended \$2,500. A new request from RE:Center (Mothers in AZ Moving Ahead) requested \$5,000 with the committee recommended \$5,000.

Councilman Allsop said Meals on Wheels had been going through some internal changes and had requested \$35,000 in additional funds to hire a manager. After discussion the committee did not recommend the additional funding.

Mr. Johnson said an overview of tentative budget with changes to recommended budget was scheduled for May 18. He said the adoption of the tentative budget was scheduled for June 1 and the final budget would be adopted at the June 15 meeting. The secondary property tax levy would be adopted at the July 20 meeting.

6. Adjournment.

There being no further discussion, **MAYOR LEECH ADJOURNED THE BUDGET TOWN HALL AND STUDY SESSION OF THE SHOW LOW CITY COUNCIL OF APRIL 15, 2021 AT 8:55 P.M.**

ATTEST:

APPROVED:

\_\_\_\_\_  
Rachael Hall, City Clerk

\_\_\_\_\_  
John Leech, Jr., Mayor

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### CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the **BUDGET TOWN HALL AND STUDY SESSION** of the City Council of Show Low held on April 15, 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