

**MINUTES OF THE STUDY SESSION OF THE SHOW LOW CITY COUNCIL HELD ON TUESDAY, APRIL 6, 2021 AT 6:30 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 6:30 p.m.

2. Roll Call.

**COUNCIL MEMBERS PRESENT:** Mayor John Leech, Jr., Vice Mayor Connie Kakavas, Council members Jon Adams, Brandt Clark, Brent Hatch, and Dawn Wilson.

**COUNCIL MEMBERS ABSENT:** Council member Mike Allsop.

**STAFF MEMBERS PRESENT:** Ed Muder, City Manager; F. Morgan Brown, City Attorney; Justin Johnson, Deputy City Manager; Cari Bilbie, Accounting Manager; Grace Payne, Communications Manager; Justen Tregaskes, Planning and Zoning Director; Nicole Hudson, Assistant City Clerk; and Rachael Hall, City Clerk.

**GUESTS:** None.

3. Discussion of Draft Recommended Budget for Fiscal Year Ending June 30, 2022.

Mr. Johnson said tonight's study session was to present an overview of the recommended budget, including an overview of anticipated revenues and expenditures, for fiscal year 2022. He said the next meeting for detailed department budget discussions would be on April 15. If needed, another budget review was scheduled for April 22. Staff would present an overview of the tentative budget on May 18, including any changes made to the recommended budget per the Council's direction.

Mr. Johnson said the recommended budget for FY2022 was \$63,758,048. He said that some projects that had been planned for FY2021 wouldn't be completed and the unused funds would be carried forward into FY2022.

Mr. Johnson said the sources of the City's operating revenues consisted of the beginning balance of \$27,491,361 which came from savings from prior years and included reserve funds. Other financing sources of \$6,000,000 came from unanticipated funds (the Council's budget authority). Inter-fund transfers came to \$5,071,572, which moved funds from the General Fund into other funds. Operating revenues of \$37,601,240 were revenues that would be collected or earned during the year.

Mr. Johnson said that operating revenues of \$37,601,240 came from local taxes (33.8%), utility fees (24.7%), intergovernmental revenues (grants) (8.4%), state-shared revenues (13.7%), charges for services (12.6%), fines and forfeitures (0.5%), and miscellaneous (6.3%), which included donations, interest earned on investments, late fees, and debt proceeds.

Mr. Johnson said that utility fees came to about \$9.2 million (\$4.9 million from water, \$3.2 million from wastewater, and \$1.1 million from sanitation). He said water and wastewater rates could increase in January 1, 2022, to account for inflation (Consumer Price Index). The sanitation rate adjustment would go into effect July 1; staff just received the CPI data yesterday from Waste Management and would confirm numbers.

Mr. Johnson said that local sales tax revenues for FY2021 were estimated at \$12 million. Currently, collections were about 21.57% ahead of the same period in FY20 and were on pace to be \$14.5 million in FY2021. Staff preferred to estimate conservatively in case of unexpected drops in revenue. He said staff budgeted \$10.5 million for the last three to four years, but the local sales tax revenues had outperformed significantly so staff recommends increase to \$12 million.

Mr. Johnson said state-shared revenues would be distributed based on the state's 2019 estimate of 11,442 for Show Low's population. The state projected the City would receive \$1,343,466 in sales taxes, \$1,492,906 in income taxes, \$865,592 in vehicle license taxes (VLT), and \$1,729,724 in HURF (Highway User Revenue Fund) monies. He noted that state shared revenue budget estimates received for FY2022 increased \$153,085 or 2.90% over FY2021 state estimates. Again, because of staff's conservative approach, the budget reflected only 95% of the state's estimates, with \$1,276,293 in sales taxes, \$1,418,261 in income taxes, \$822,312 in VLT collections, and \$1,643,238 in HURF.

Mr. Johnson said that inter-governmental revenues of \$3.1 million consisted of grant revenue for the major crimes apprehension team or MCAT, GIITEM (Gang and Immigration Intelligence Team Enforcement Mission), Qualified Energy Conservation Bond (QECB), airport grants, library grants, Transit 5311 grant, Scott Ranch Road, and Joe Tank Road. He noted that any new grants the City received would be presented to the Council for approval upon their award.

Mr. Johnson said in terms of expenditures (excluding unanticipated funds and transfers), the City spent its money on personnel (30.4%), capital projects (32.6%), operations (22.1%), reserves (10.7%), contingency and Capital Improvements Program reserves (0.5%), and debt service (3.6%).

Mr. Johnson said personnel costs, including an increase in full-time equivalents (FTE) from 166.5 to 172.5, were estimated at \$17,948,800, including all benefits.

This amount was an increase of \$1,356,891, with an increase of \$1,156,891 when the additional PSPRS (Public Safety Personnel Retirement System) payment of \$1,500,000 wasn't factored in. The City was estimating a one-time 1% lump sum in the second half of the year, depending on revenues collected. Additional increases consisted of \$168,041 in contributions to ASRS (Arizona State Retirement System), with 12.41% contributed equally by the City and the employee, and a net increase of \$64,280 to PSPRS. He reiterated that this increase to PSPRS didn't include the City's \$1,500,000 one-time payment toward the unfunded liability. Increase of six FTE's, reduction of one dispatcher, and potential to add two back if signing with agencies.

Mr. Johnson said personnel by service area showed Public Safety at 35% of the City's employees; Community Services at 15%; Utilities at 15%; Public Works at 18%; General Government at 13%; and Planning and Zoning at 4%.

Mr. Johnson said capital projects and contingencies totaled \$19.5 million, with \$2,274,617 allocated for General Operations; \$40,000 for Administrative Services; \$35,000 for Planning and Zoning; \$1,457,232 for Police; \$5,207,415 for Streets/Engineering; \$2,414,912 for Parks/Facilities Maintenance, \$1,388,466 for Airport; \$2,057,583 for Wastewater; \$4,366,577 for Water; and \$300,000 in the Council Contingency budget.

Mr. Johnson said that reserves totaled \$4.4 million, which included three months' of operating revenues in reserves in case of an emergency or another economic downturn. The general fund included a \$1.0 million voter-required reserve as part of the permanent base option. He said the water treatment plant reserve increased from \$1,700,000 in FY2021 to \$1,900,000 for FY2022.

Mr. Johnson said total Annual Debt Service included both principal and interest payments and did not include Show Low Bluff Community Facilities District.

Mr. Johnson said General Fund expenditures by service area showed Public Works at 25.1%; Public Safety at 21.9%; Utilities at 25.8%; Community Services at 3.7%; General Government at 20.6%; Debt Service at 2.5%; and Improvement Districts/Show Low Bluff CFD at 0.3%.

Mr. Johnson said General Fund expenditures also were divided by specific departments, which showed Police at 38.1%; Community Services at 4.5%; Manager, Attorney, and Clerk at 5.0%; City Council at 1.4%; Administrative Services at 6.2%; General Operations at 12.9%; Facilities Maintenance at 7.3%; Aquatic Center at 2.0%; Airport at 9.0%; Debt Service Transfers at 4.4%; Planning and Zoning at 2.7%; Engineering at 2.9%; City Magistrate at 0.4%; and Capital Fund Transfers at 3.0%.

Mr. Johnson said a town hall for public input and a budget study session would be held April 15 and another budget study session, if needed, on April 22. Proposed changes to the recommended budget would be presented to the Council on May 18. Tentative budget adoption was scheduled for June 1, with the budget including any adjustments requested by the Council and the majority of carryover funds included. Final budget adoption was scheduled for June 15 (legally required to be done by August), with the secondary property tax levy (for the Street Light Improvement District) planned for July 20. The Show Low Bluff Community Facilities District budget and levy would follow the same timeline.

Mr. Johnson thanked staff for their help in preparing a balanced budget.

Mayor Leech asked if some of the money that was being sent out to the states for relief would have conditions set on how cities could spend the funds. Mr. Muder said the League was still doing research on how the funds could be spent. The City was slated to get approximately \$2.8 million, which would come in two separate fiscal years but would need to be spent in three years.

4. Discussion of Cell Antennas in Rights-of-Way.

Mr. Tregaskes said Verizon Wireless submitted a request to install a power pole mount cellular antenna, which consisted of taking an existing 47 foot power pole and adding 12 feet on top. He said Verizon identified one specific sight just north of Penrod Road. Mr. Tregaskes said that the potential site was commercially zoned property and was not adjacent to a collector or arterial roadway. He said the request from Verizon Wireless would not qualify as a small wireless facility as outlined in City Code because the request was to put an antenna on an already existing APS power pole that was located in a right-of-way.

Mr. Tregaskes said that staff was looking for direction from the Council on how to proceed. He said the City could enter into agreements with companies for these particular types of requests which would allow mounting on existing poles as opposed to the installation of new poles. He said the agreement would not allow for antennas in residential or downtown commercial zones but would allow them in general commercial zones. He said they would not be allowed along arterial or collector streets.

Mayor Leech asked if there was a height requirement. Mr. Tregaskes said yes, there was a height requirement of less than 200 feet.

Vice Mayor Kakavas asked how the City would know if existing poles would be engineered for an antenna. Mr. Tregaskes said that would be something that the requestor would have to provide to the City with request and submittal.

Mayor Leech asked if the City could regulate where the antennas were placed. Mr. Tregaskes said yes, the City could limit the locations to industrial and general commercial zones.

Councilman Adams asked if this was the only request for this type of antenna. Mr. Tregaskes said this was the only request at the moment but there could be additional requests in the future. He said that staff was looking for guidance from the Council to establish underlying criteria for this type of request.

Mayor Leech asked if the Council would be notified of each request. Mr. Tregaskes said yes, each individual request would be presented to the Council.

After further discussion with the Council, staff would begin researching agreements for the installations of cellular antennas on existing power poles and would present a draft document to the Council at a later time.

5. Adjournment.

There being no further discussion, **MAYOR LEECH ADJOURNED THE STUDY SESSION OF THE SHOW LOW CITY COUNCIL OF APRIL 6, 2021 AT 6:54 P.M.**

ATTEST:

APPROVED:

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

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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 **STUDY SESSION** of the City Council of Show Low held on April 6, 2021. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

(SEAL)

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Rachael Hall, City Clerk