

MINUTES OF THE STUDY SESSION OF THE SHOW LOW CITY COUNCIL HELD ON TUESDAY, JANUARY 18, 2022 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 Clark, and Councilwoman Wilson.

COUNCIL MEMBERS ABSENT: Councilman Allsop and Councilman Hatch.

STAFF MEMBERS PRESENT: Ed Muder, City Manager; F. Morgan Brown, City Attorney; Justin Johnson, Deputy City Manager; Brad Provost, Police Chief; Cari Bilbie, Accounting Manager; Nicole Hudson, Deputy City Clerk; and Rachael Hall, City Clerk.

GUESTS: John Hannah.

3. Discussion of Fiscal Year 2023 Budget Process and Overview.

Mr. Johnson said planning had begun for the fiscal year 2023 budget (July 1, 2022, through June 30, 2023). 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 1. 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 2018 through projections for 2023, which didn't include carryovers and new capital projects. Fiscal year 2022's adopted budget was \$72.8 million and the estimated budget for fiscal year 2023 was projected at \$55.7 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 2023 came to \$35,976,794. He noted that preliminary estimates were lower than estimates for fiscal year 2022 due to a reduction in wastewater revenue and a reduction in Highway User Revenue Fund revenue. 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 2022 remained conservative, similar to the previous year's projections. Staff estimated local sales tax collections would be about \$16.3 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 2022 at 95% of fiscal year 2021 actuals.

Mr. Johnson said expenditures for all funds in fiscal year 2023 were based on the same amounts from fiscal year 2022. 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 cost of living adjustment 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 20 and April 7). Staff would present a recommended budget to the Council at the regular meeting on

April 5 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.

4. Adjournment.

There being no further discussion, **MAYOR LEECH ADJOURNED THE STUDY SESSION OF THE SHOW LOW CITY COUNCIL OF JANUARY 18, 2022 AT 6:28 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 **STUDY SESSION** of the City Council of Show Low held on January 18, 2022. 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