

**MINUTES OF THE BUDGET TOWN HALL AND STUDY SESSION OF THE SHOW LOW CITY COUNCIL HELD ON THURSDAY, APRIL 7, 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 6:01 p.m.

2. Roll Call.

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

**COUNCIL MEMBERS ABSENT:** None.

**STAFF MEMBERS PRESENT:** Ed Muder, City Manager; F. Morgan Brown, City Attorney; Justin Johnson, Deputy City Manager; Greg Westover, Police Commander; Rick Austin, Public Works Operations Manager; Jay Brimhall, Community Services Director; Cari Bilbie, Accounting Manager; Bill Kopp, Public Works Director; Justen Tregaskes, Planning and Zoning Director; Shane Hemesath, City Engineer; and Nicole Hudson, Deputy City Clerk.

**GUESTS:** John Hannah.

3. Invocation.

Councilman Adams gave the invocation.

4. Pledge of Allegiance.

Vice Mayor Kakavas 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, 2023.

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 21 and April 28 would be held to complete discussions. At the May 17 regular meeting, staff would provide an overview of the recommended budget changes. He said the adoption of the tentative budget was scheduled for June 7 and the final budget would be adopted at the June 21 meeting. The secondary property tax levy would be adopted at the July 19 meeting.

Mr. Johnson said the recommended budget for FY2023 was \$91,292,530. He said that some projects that had been planned for FY2022 wouldn't be completed

and the unused funds would be carried forward into FY2023. The FY2022 budget was estimated to be underspent by approximately \$20,000,000.

Mr. Johnson said the sources of the City's operating revenues consisted of the beginning balance of \$30,116,738 which came from savings from prior years and included reserve funds. Other financing sources of \$9,000,000 came from unanticipated funds (the Council's budget authority). Inter-fund transfers came to \$7,766,462, which moved funds from the General Fund into other funds. Operating revenues of \$50,834,758 were revenues that would be collected or earned during the year.

Mr. Johnson said that operating revenues of \$50,834,758 came from local taxes (28.9%), utility fees (18.5%), intergovernmental revenues (grants) (14.5%), state-shared revenues (10.2%), charges for services (10.1%), fines and forfeitures (0.3%), and miscellaneous (17.4%), which included donations, interest earned on investments, late fees, and debt proceeds.

Mr. Johnson said that utility fee revenue came to about \$9.4 million (\$4.98 million from water, \$3.22 million from wastewater, and \$1.2 million from sanitation). He said water and wastewater rates could increase January 1, 2023, to account for inflation (Consumer Price Index). The sanitation rate adjustment would go into effect July 1.

Mr. Johnson said that local sales tax revenues for FY2022 were estimated at \$17 million. Currently, collections were about 11.01% ahead of the same period in FY21 and were on pace to be \$17 million in FY2022. Staff preferred to estimate conservatively in case of unexpected drops in revenue. He said the local sales tax revenues had outperformed significantly so staff recommended a budget increase from \$12 million to \$14 million.

Mr. Johnson said preliminary state-shared revenue budget estimates had not been received for FY2023. State-shared revenues would be distributed based on the state's 2021 estimate of 11,699 for Show Low's population. 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 \$7.3 million consisted of grant revenue for the America Rescue Plan Assistance (ARPA), AZ Cares Funds, 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.

Mayor Leech asked for clarification on the Joe Tank Road grant. Mr. Johnson said the grant was the Federal Land Access Program grant. The project cost was estimated at \$2,000,000 with a City match of \$400,000.

Mr. Johnson said in terms of expenditures (excluding unanticipated funds and transfers), the City spent its money on personnel (22.4%), capital projects (40.6%), operations (23%), reserves (9.8%), contingency and Capital Improvements Program reserves (0.4%), and debt service (3.9%).

Mr. Johnson said personnel costs, including an increase in full-time equivalents (FTE) to 177.9, were estimated at \$18,485,924, including all benefits. This amount was a decrease of \$31,981 due to a \$2,000,000 supplemental payment made to PSPRS (Public Safety Personnel Retirement System) in FY2022. When adjusted for a \$1,000,000 one-time payment toward PSPRS debt that would be broken into quarterly payments, the actual increase was \$968,019. There was a decrease in the ASRS (Arizona State Retirement System) contribution rate, but it remained in the budget at 12.41% to account for any unforeseen increases. The increase of 3.4 FTE's, reduction of one dispatcher, and potential to add two back if signing with more partners for dispatch services.

Vice Mayor Kakavas asked what the outstanding balance was on the PSPRS debt. Mr. Johnson said as of June 30, 2021, the amount was approximately \$4.1 million, and it dropped to approximately \$2.4 million.

Mr. Johnson said personnel by service area showed Public Safety at 35.2% of the City's employees; Community Services at 14.9%; Utilities at 15.8%; Public Works at 17.5%; General Government at 12.6%; and Planning and Zoning at 4%.

Mr. Johnson said capital projects and contingencies totaled \$33.8 million, with \$5,495,115 allocated for General Operations; \$125,000 for Community Services; \$125,000 for Administrative Services; \$40,000 for Planning and Zoning; \$2,279,926 for Police; \$9,210,887 for Streets/Engineering; \$5,035,047 for Parks/Facilities Maintenance, \$761,783 for Airport; \$3,900,700 for Wastewater; \$6,482,830 for Water; and \$300,000 in the Council Contingency budget.

Mr. Johnson said that reserves totaled \$8.0 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 \$1,900,000 in FY2022 to \$2,100,000 for FY2023.

Mr. Johnson said total Annual Debt Service included both principal and interest payments and did not include Show Low Bluff Community Facilities District. It also included Revenue Tax Obligation 2021 of \$2.1 million and Revenue Tax Obligation Second Series 2021 of \$4.7 million.

Mr. Johnson said General Fund expenditures by service area showed Public Works at 24.1%; Public Safety at 15.8%; Utilities at 25.2%; Community Services at 2.9%; General Government at 29.4%; Debt Service at 2.4%; and Improvement Districts/Show Low Bluff CFD at 0.2%.

Mr. Johnson said General Fund expenditures also were divided by specific departments, which showed Police at 28.1%; Community Services at 3.7%; Manager, Attorney, and Clerk at 3.7%; City Council at 1%; Administrative Services at 5.4%; General Operations at 30.7%; Facilities Maintenance at 7.4%; Aquatic Center at 1.5%; Airport at 5.4%; Debt Service Transfers at 4.3%; Planning and Zoning at 2%; Engineering at 2.4%; City Magistrate at 0.3%; and Capital Fund Transfers at 4%.

Budget discussion began with the Magistrate Court budget of \$108,880, a 1.82% decrease over FY2022. The Court had 1 FTE (full-time equivalent) and contracted with Navajo County for the Court Clerk. There was an anticipated wage decrease due to a new judge coming in mid-year. 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 \$818,584, a 0.22% increase over FY2022. This department had 7 FTEs and seven Planning and Zoning Commission members (not included as FTEs), with 87.9% of the total budget for salaries and related expenses. Cost drivers included personnel costs and purchasing a four-wheel drive truck.

Councilman Clark asked about permit activity. Mr. Tregaskes said permit activity had been steadily increasing over the last few years. He said last calendar year, 200 single family residential permits were issued. Staff expected residential activity to level off but expected to see an increase in commercial activity.

Councilman Clark asked if there were any upcoming big projects. Mr. Tregaskes said there were several large commercial projects under construction including the new Marriott hotel and the Northland Pioneer College expansion. He said Walmart had started a substantial remodel.

Councilman Clark asked if an increase in raw developed land was expected. Mr. Tregaskes said final plat approval was expected for Pine Haven Unit 2. He said there would be a 12-lot subdivision, 20 units in Buffalo Bills Resort Villas and Silver City at Buffalo Bills, a possible release of lots within Show Low Bluff, Torreon Lakes, and staff attended a neighborhood meeting with a developer for a potential project between Old Linden Road and Cooley just north of Fox Canyon which would be another 50 or 60 lots.

Councilman Clark asked if there were contingencies built into the budget to keep up with an upward trend of construction. Mr. Tregaskes said an additional full-

time employee was hired in FY2022 and a half-time position was converted to full time position. He said currently they were able to maintain adequate levels of service but there was no additional staff included in the budget for FY2023.

Mayor Leech asked about the purchase of a new vehicle. Mr. Muder said a couple of vehicles in the city hall parking lot were scheduled to go to auction.

Councilman Clark asked about the option of purchasing electric vehicles. Mr. Johnson said the police department had two hybrid interceptors and there was also one hybrid fleet vehicle. He said fully electric vehicles were hard to get. Mr. Muder said future bids would have an option for electric vehicles.

Discussion turned to the City Attorney budget of \$402,066, a 47.47% increase from FY2022. The department had 1 FTE, with 84.5% of the budget used for salaries and related expenses. Cost drivers included an increase in personnel costs due to the Communication Manager's salary and benefits being paid out of the department.

Discussion turned to the City Clerk budget of \$272,554, a 25.04% decrease over FY2022. This division had three FTEs, with the added Communications Manager in FY2021, and 72.6% of the budget used for salaries and related expenses. The budget also included election expenses estimated at \$39,000, which showed an increase from \$18,000 in FY2022 due to election cycles.

Discussion turned to the Public Information, previously Show Low TV, budget of \$228,735, a 7.9% decrease from FY2022. The decrease was due to retirement and reduction in part-time video technicians. Major cost drivers were personnel costs at 76.1% of the budget.

Mayor Leech asked about the part-time legal assistant. Mr. Brown said the legal assistant position of 0.6 FTE was eliminated with the promotion of the legal assistant to Deputy City Clerk.

Discussion moved to the Community Services Department, Administration division with a budget of \$381,459, a 41.85% increase over FY2022. There were 2.5 FTEs, with 84.1% of the budget for salaries and related expenses. The increase was due to the addition of a full-time Grants Coordinator.

Discussion turned to the Library budget of \$610,716, a 4.17% increase over FY2022. This division had 8.5 FTEs, with 76% of the budget for salaries and related expenses. Other expenses included utilities.

Discussion moved to the Recreation budget of \$494,473, a 9.56% increase over the FY2022 budget. This division had 6.3 FTEs, which included three full-time employees, with 59% of the budget for salaries and related expenses. Besides salaries, the largest cost drivers were Freedom Fest events, part-time wages,

and added capacity for a junior high after school program. Direct revenue was estimated at \$143,000.

Discussion turned to the Aquatics budget of \$623,707, a 4.39% increase from the FY2022 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 increase was due to an increase in part-time wages and the addition of a permanent part-time employee with limited benefits.

Discussion turned to the Public Works department. Mr. Johnson said the first division was the Airport budget of \$2,176,134, a 40.07% decrease over the FY2022 budget or a 46.64% increase when adjusted for capital projects. There were 5.5 FTEs. The main cost driver was fuel for resale (with offsetting revenues) and capital projects not covered by grants. The budget included capital expenditures of \$761,783, including \$31,783 for an Aviation Weather Observation System, \$450,000 for large hangar and taxiway expansion, \$160,000 for runway 4/22 pavement, and \$120,000 to replace the runway lighting with LED lights.

Discussion moved to the Engineering budget of \$947,031, a 12.79% increase over FY2022. There were 6.5 FTEs, with 84.6% of the budget for salaries and related expenses. The budget's increase was due to capital in the amount of \$60,000 for aerial mapping and personnel changes. The department replaced the administrative assistant with an engineering project designer.

Discussion moved to the Parks and Facilities Maintenance budget of \$2,992,793, a 11.79% decrease over FY2022. When adjusted for capital purchases, the decrease would be 0.17%. The cost drivers were repair and maintenance costs and small equipment/capital. There were 8.0 FTEs. Capital expenses for FY2023 totaled \$1,688,055, including \$25,000 for museum frontage improvements; \$196,965 for City park streets and trails makeover; \$36,090 for security upgrades to city hall; \$130,000 for City Campus Master Plan Improvements—roof replacement; \$20,000 for a ramada at Show Low Lake; \$20,000 for a ramada at Archibeque Park; \$20,000 for a ramada at Show Low City Park; \$250,000 for City Campus Master Plan – four Pickleball courts; \$300,000 for Show Low Lake spillway restroom and utility installation; \$125,000 for Aquatic Center window repairs; \$70,000 for power upgrades at Show Low Lake Campground; \$65,000 for Rainbird smart controllers; \$80,000 for Nikolaus Park bridge; \$35,000 for basketball backstops and scoreboard at City gym; \$150,000 for Reidhead house restoration; \$45,000 for fields mower; and \$120,000 to purchase two four-wheel drive service trucks with plows.

Vice Mayor Kakavas asked if a permanent fence would be placed at the parks and maintenance facility to replace the temporary fencing. Mr. Kopp said staff would look into replacing the fence utilizing the operations budget.

Councilman Allsop asked about the increase in part-time employee wages. Mr. Johnson said the department requested more consistent help on weekends to keep up with trash and cleaning of facilities.

Mayor Leech expressed concern for the lack of lighting at the City Park. Mr. Johnson said park lighting was in the Capital Improvements Plan (CIP) for FY2026. Mr. Muder said staff had spoken to Arizona Public Service about installing some lighting.

Councilman Allsop asked staff to look into the construction of a walkway with lighting near the new little league restroom facility.

Discussion turned to the Streets/HURF (Highway User Revenue Fund) budget of \$10,073,844, a 2.86% increase from FY2022 or a 2.42% decrease when adjusted for capital. There were 11.0 FTEs. The majority of the decrease was for small equipment/capital. There was a General Fund subsidy of \$2,978,954. There were several capital project expenditures totaling \$8,813,415, including \$475,000 for the R&R (rehabilitation and rejuvenation, such as slurry sealing) program; \$1,244,815 for Scott Ranch Road; \$300,000 for general improvements; \$194,600 for Hall Street and 11th Street box culvert; \$305,000 for East Owens/Central Avenue to 2nd Street extension; \$400,000 to lower powerlines; \$60,000 for downtown parking on East Cooley; \$2,050,000 for Joe Tank Road improvements; \$75,000 for lower shop remodel; \$455,000 for Nikolaus subdivision; \$220,000 for 16th Avenue from Owens to McNeil; \$230,000 for Park Plaza; \$430,000 for McNeil Acres; \$540,000 for West McNeil from Fox Run to Deuce of Clubs; \$75,000 for Woolford and White Mountain Road reconstruction design; \$195,000 for Fairway Drive and 36th Drive curb; \$630,000 for West Cooley, 4th Avenue to 8th Avenue; \$240,000 for 24th Drive, 25th Drive, and 28th Drive road rebuild; \$375,000 for East McNeil reconstruction 8th Street to Central; \$20,000 to upgrade sign truck; \$23,000 to purchase kick broom for loader; \$26,000 to purchase grapple bucket for loader; \$89,000 to purchase wheel excavator (split with water funds); \$31,000 to purchase spreader for 6-wheeler; \$80,000 to purchase a service truck with dump bed and plow; and \$50,000 to purchase a service truck with plow.

Councilman Clark asked about sidewalk connectivity within the City. Mr. Johnson said there was \$225,000 in FY2022 for sidewalk connectivity. Mr. Hemesath said the sidewalk connectivity project work would take place along West Cooley between North 6th Drive and North 4th Avenue as well as along East Owens between South 5th Place and South Mills Place.

Councilman Clark asked staff to look into installing sidewalk on 8th Street between Whipple to Owens. Mr. Hemesath said the roads in that subdivision, McNeil Acres, were scheduled to be rebuilt after the sewer project was completed. He said the roadway repairs were included in the budget, but the sidewalk was not. He said staff would get a cost estimate for the sidewalk. He

also mentioned that bus routes could change when Owens was connected to Central Avenue.

Discussion turned to the Water Services fund of \$10,385,743, a 18.62% increase over FY2022 or a 0.47% increase when adjusted for capital. There were 16.0 FTEs. Rate revenue was estimated at \$4,514,084, with a \$2.1 million reserve for a future water treatment plant and \$1,205,667 for three months in operating reserve.

Mr. Johnson said water services capital projects costs of \$6,866,890 included \$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; \$296,000 to purchase ten-wheel dump truck; \$90,587 for 300K tank site improvements; \$250,000 for water storage tank maintenance; \$296,968 for backup generators; \$70,000 for new well design; \$1,561,423 for million gallon water storage tank; \$507,500 for Fawnbrook phase 1; \$124,498 for Jacques Dam at Show Low Lake study; \$680,000 for Park Valley/Fools Hollow AC replacement phase 1; \$58,676 to purchase a four-wheel drive service truck; \$58,676 to purchase a four-wheel drive service truck with plow; \$580,000 for Fawnbrook phase 2; \$150,000 for Parkview subdivision replacement; \$255,000 to purchase a loader; \$178,000 to purchase an excavator (split with streets funds); and \$70,000 to purchase a four-wheel drive vehicle. Mr. Johnson said there was a \$35,000 revenue projection for capacity fees and \$1,181,798 fund balance for future capacity projects.

Discussion turned to the Wastewater fund of \$7,061,988, an 15.72% decrease from FY2022 or a 34.84% increase when adjusted for capital. There were 12.0 FTEs. Rate revenue was estimated at \$3,121,278. Capital expenditures of \$4,068,974 included \$60,000 to purchase a four-wheel drive vehicle with plow; \$250,000 for automated screen rake for Fools Hollow lift station; \$70,000 to purchase a four-wheel drive vehicle with crane and plow; \$190,000 for the manhole replacement program; \$15,000 for the Show Low South land exchange; \$500,000 for Camptown mainline realignment; \$60,000 to purchase a four-wheel drive vehicle with plow; \$396,528 for McNeil Acres; \$309,772 for 11th street sewer; \$150,000 for general improvements; \$365,950 for 6th & 5th Place sewer replacement; \$62,500 for Wayne Berry lift station removal/extension; \$477,000 for 6th Street sewer trunkline improvements; \$285,000 for West Stock to SR 260 reconstruction; \$30,000 for Bluffs lift station; \$23,000 for Automall lift station; \$18,000 for crane for Unit 1246; and \$15,000 for shed for the wastewater treatment plant.

Mr. Johnson said for Wastewater Capacity/Impact Fees, staff anticipated \$150,000 in revenue from fees and a fund balance of \$1,844,058 for future projects, including \$352,800 to be used for the Savage sewer line replacement



project and \$357,750 to be used for the 6th Street sewer trunkline improvement project.

Mayor Leech called a short break at 7:24 p.m. The meeting reconvened at 7:31 p.m.

Discussion moved to the Police department. The overall budget of \$11,317,669 was a 2.07% decrease from the FY2022 budget. In FY2022 \$2.0 million was programmed for a payment to the Public Safety Personnel Retirement System (PSPRS) to go towards the deficit. For FY2023, \$1.0 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 7.96%. The department had 63.3 FTEs, an increase from 61.3 FTEs in FY2022 (one FTE increase for sworn officers contingent on Governor's Office of Highway Safety grant for multi-agency traffic squad and one FTE addition for communications dispatcher. There were 35 sworn positions (with one additional FTE contingent officer position), and 75% of the budget was spent on personnel costs for five divisions.

Mr. Johnson said the Operations budget was \$8,916,806, a 3.55% decrease over FY2022 or a 9.28% increase when adjusted for the additional PSPRS payment. The main cost drivers were 74.7% for personnel costs and \$1,000,000 for PSPRS. Capital expenditures of \$1,706,004 included \$1,000,000 for dispatch move/remodel project; \$47,000 for fallen officer memorial; \$33,000 for IT upgrades for software and hardware; \$75,000 for shooting range improvements, \$293,629 for remodel of evidence building; and \$192,375 to purchase three vehicles.

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

Discussion turned to the Investigations budget of \$39,000, a 12.07% increase from FY2022. All personnel costs were included in the Operations budget. The main cost drivers were travel and training for staff, small equipment/capital, and rental and maintenance contracts.

Discussion turned to the Administration budget of \$76,670, a 0.58% decrease from FY2022. All personnel costs were included in the Operations budget. The major cost drivers were due to travel and training for staff.

Discussion turned to the Communications budget of \$2,098,433, a 3.68% increase over FY2022. There were 20.3 FTEs, up from 19.3 FTEs in FY2022. The major cost drivers were an increase of one FTE for an additional dispatcher, rental and maintenance contracts, and travel and training. Dispatching revenue was estimated at \$865,941.

Vice Mayor Kakavas asked if there were any openings for dispatchers. Commander Westover said yes, there were two openings.

Discussion turned to the Animal Control budget of \$186,760, a 6.4% increase from FY2022. There were 2.0 FTEs, with major cost drivers being personnel costs at 83.8% of the budget.

Councilman Clark expressed concerns about losing officers to the Department of Public Safety because of their decision to raise pay for officers.

Discussion turned to the Debt Service Fund of \$1,712,193, a 34.54% increase from FY2022. The major cost driver was new debt service for streets projects bonds (\$2.1 million with \$439,067 in increased debt service payments). The General Fund subsidy (transfer) would contribute \$1,397,395.

Discussion moved to the Self-Insurance Fund (for medical and dental insurance) of \$2,106,000, same as FY2022 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, same as FY2022. The major cost drivers were \$70,000 for a cemetery expansion project, \$20,000 for signage (carried over from FY2022), and \$10,000 for cemetery markers (carried over from FY2022). Direct revenues were estimated at \$45,100 with a maintenance reserve fund of \$270,000, which had built up over the last few years.

Discussion moved to the Sanitation budget of \$1,274,917, a 14.65% increase over FY2022. Rate revenue was estimated at \$1,223,514 from approximately 5,672 refuse customers. The City received a Consumer Price Index (CPI) and fuel adjustment from Waste Management, which went into effect July 1 of each year. Waste Management asked for a CPI and fuel increase of \$0.96 per month in addition to a \$2.00 extraordinary fee increase in sanitation fees for a typical customer with one sanitation container and one recycling container. Staff recommended negotiating the extraordinary fee increase of up to \$0.62 per month in addition to the \$0.96 CPI and fuel increase which would increase the sanitation rate from \$15.92 to \$17.50.

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 FY2023 budget was \$169,960, with an annual debt service payment of \$152,160 covering 227 parcels (of which Show Low Bluff Development owned 136 parcels, 60% of all parcels). The general obligation bond was paid off in FY2019 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 could not 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 fifth year in a row, keeping it at \$0.1401 per \$100 of assessed valuation. This equated to about \$17.86 annually 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 \$13,160,742, with \$9.4 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 \$1,173,467 for a range of capital projects, including \$30,000 for the Court; \$138,500 for the Library; \$300,000 for the Police Department; \$2,414,655 for Parks/Facilities Maintenance; and \$832,472 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 \$405,487 was a 6.39% increase over FY2022. The department had three FTEs, with 79.4% for salaries and related expenses. Some of the increase in this budget was attributed to the increased cost for professional and consulting services for applicant tracking software and increased costs for occupational tests/immunizations for CDL entry level training program.

Discussion turned to the Information Services budget of \$656,531, a 37.69% increase over FY2022. This division had two FTEs, with 44.7% of the budget for salaries and related expenses. Other cost drivers included rental/maintenance contracts and capital purchases.

Discussion moved to the Administrative Services/Finance budget of \$1,130,236, a 17.74% increase over FY2022. This department had eight FTEs, an increase from seven FTEs in FY2022 (one FTE increase for a fleet manager), with 67.9% of the budget for salaries and related expenses. Other cost drivers included a 144% increase in bank fees.

Discussion turned to the Public Transportation budget of \$1,043,118, a 42.21% increase from the FY2022 budget. The major cost drivers were a \$100,000 increase for a transit study and \$50,000 for bus shelter replacements. The system included the Four Seasons Connection and the White Mountain

Connection, with Show Low contributing \$129,668, supplemented by federal grants of \$558,182 and partner funding of \$200,255.

Discussion then moved to the various budgets listed under Administration. The first was the City Council budget of \$419,393, a 32.3 % increase over FY2022 due to increase in dues and memberships and contingency reserves. The FY2022 budget included \$300,000 in the Council Contingency line item, which was 71.5% of this budget.

Discussion moved to the City Manager budget of \$568,735, a 2.58% decrease from the FY2022 budget. The department had two FTEs (the City Manager and Business Development Coordinator), with 85.7% of the budget used for salaries and related expenses. The decreased budget was due to a reduction in professional and consulting services.

Discussion moved to the General Operations budget of \$17,813,295, a 95.87% increase from the FY2022 budget. This budget included \$5,556,616 for inter-fund transfers; \$475,000 for general liability insurance; \$404,076 in organizational support/community promotions; \$3,676,817 for American Rescue Plan Act (ARPA) funds; \$4,000,000 for event/community center; and \$463,732 for other contractual services.

Discussion turned to funding requests for community promotions and organizational support. Mr. Johnson said in community promotions, the budget included \$6,500 for miscellaneous requests, \$4,500 for Deuce's Wild Rodeo, \$2,500 for White Mountain SAFE House, \$1,500 for Summit Healthcare to support its annual fundraising gala, \$1,000 for Darrin Reed Scholarship, \$10,000 for Community Fast, \$10,000 for RE:Center (Mothers in AZ Moving Ahead), \$2,600 for Fishers of Men for Veterans, \$1,500 for Show Low Film Festival, \$2,000 for White Mountain Symphony, and \$3,000 for Show Low High School Grad Night, for a total of \$45,100.

Mr. Johnson said in organizational support, the FY2023 budget showed \$5,000 for REAL AZ Corridor, \$5,000 for White Mountain Community Garden, \$36,000 for Show Low Historical Society, \$17,500 for Show Low Main Street, \$50,000 for White Mountain Meals on Wheels (which also managed the City's Senior Center), \$121,476 for Four Season Connection (the City's match for the transit system), and \$124,000 for the Show Low Chamber of Commerce for a total of \$358,976. Mr. Johnson said the increase from \$75,000 to \$124,000 for Show Low Chamber of Commerce was due to a request from the Chamber for assistance to pay off their building. In return, the amount the City paid to the Chamber of Commerce for the Tourist Information Center would be reduced from \$44,000 to \$30,500 for six years and the City would have an interest in the building. Mr. Muder said the Chamber of Commerce had a balloon payment on the building due in August and they were not able to obtain financing.

Mayor Leech expressed concerns over the financial support recommended for the Tourist Information Center and would like it to be discussed further at the next Council retreat.

Mr. Johnson said an overview of tentative budget with changes to recommended budget was scheduled for May 17. He said the adoption of the tentative budget was scheduled for June 7 and the final budget would be adopted at the June 21 meeting. The secondary property tax levy would be adopted at the July 19 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 7, 2022, AT 8:49 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 7, 2022. 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