

MINUTES OF THE STUDY SESSION OF THE SHOW LOW CITY COUNCIL HELD ON TUESDAY, JANUARY 21, 2020 AT 6:00 P.M. AT THE CITY COUNCIL CHAMBERS, 181 NORTH 9TH STREET, SHOW LOW, NAVAJO COUNTY, ARIZONA

1. Call to Order.

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

2. Roll Call.

COUNCIL MEMBERS PRESENT: Mayor Daryl Seymore; Vice Mayor Mike Allsop; and Council members, Brent Hatch, John Leech, Jr., Connie Kakavas, and Gene Kelley.

COUNCIL MEMBERS ABSENT: None.

STAFF PRESENT: Ed Muder, City Manager; F. Morgan Brown, City Attorney; Justin Johnson, Administrative Services Director; Cari Bilbie, Accounting Manager; and Rachael Hall, Assistant City Clerk.

GUESTS: None.

3. Discussion of Fiscal Year 2021 Budget Process and Overview.

Mr. Johnson said planning had begun for the fiscal year 2021 budget (July 1, 2020, through June 30, 2021). 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, provide a sustainable method to reduce the Public Safety Personnel Retirement System (PSPRS), 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 3. 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 explained that “infrastructure” encompassed preserving and maintaining existing assets including appearances (i.e., presenting a positive image through the appearance of the City’s vehicles, facilities, parks, streets, etc.), protecting investments (such as facilities and parks, maintaining the quality of the City’s infrastructure, and ensuring that the water and sewer systems were financially self-sustaining), maintaining standards (such as parks maintenance and following a replacement program), and reserves to maintain a safety net, including keeping three months of expenditures in reserve.

Mr. Johnson said “quality of life” included community (volunteerism and community service, focusing on family needs in the parks, maintaining a year-round trail system, beautifying public and private properties, and creating community gathering places), information and education (promoting and marketing the City, providing a calendar of events, and transmitting information via Show Low TV, City website, quarterly newsletters, and social media, with an eye to expand the City’s social media presence), downtown development (expanding on existing development, encouraging retail development, and providing more parking and pedestrian opportunities), and community safety (street design, speed warning signs, and cameras and security systems in City facilities).

Mr. Johnson said “economic/community development” consisted of recreation as an economic development tool (sports tournaments, ongoing events, facility enhancement, natural/cultural resources, as well as looking at the feasibility of a convention/events center with a sports tourism component), retail/commercial expansion (retail, dining, jobs), implementing and pursuing economic development through the Focused Future II process as well as educational opportunities, and community partnerships (White Mountains Partnership, Chamber of Commerce, motel/hotel owners, and promoting tourism).

Mr. Johnson said “organization” included current strategic and master plans (plan implementation and maximizing technology); employees (attracting, retaining, and training quality employees, with quality service, communication, and safety in mind), with the City’s succession plans; emergency preparedness (ensuring balance between the City’s services and public needs and focusing on communication); and community partnerships (pursuing regional cooperation and leadership). The budget would match dollar amounts to these different priorities and programs.

Mayor Seymore suggested installing more streetscape and Christmas lights beyond the downtown area. He received many requests from citizens for more lights and décor during the Christmas season that would reach further than just

downtown area. Mr. Johnson said staff could look into funds to provide more Christmas lights and streetscape within the City.

Mr. Johnson reviewed and compared the City's annual expenditures from fiscal years 2016 through projections for 2021, which didn't include carryovers and new capital projects. Fiscal year 2020's adopted budget was \$52.6 million and the estimated budget for fiscal year 2021 was projected at \$42.2 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 2021 came to \$34,089,280, attributed to local sales taxes (33.0%), utility fees (27.4%), state-shared revenues (14.2%), charges for services (13.6%); inter-governmental funds (7.4%), fines and forfeitures 0.5%), and miscellaneous (4.0%). He noted that preliminary estimates were lower than estimates for fiscal year 2020 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. Looking at trends, fiscal year 2020 results to date showed a 6.5% decrease from fiscal year 2019. Local sales tax projections for fiscal year 2020 remained conservative, similar to the previous year's projections. Staff estimated local sales tax collections would be about \$10.5 million.

Vice Mayor Allsop said the sales tax reports showed increasing numbers. Mr. Johnson said yes, most of the months in 2019 showed an increase over the same months in 2018 and the same trend was anticipated to continue in 2020.

Mayor Seymore asked if any services were not being completed because the budget was so conservative that departments couldn't request more funds if it was needed. Mr. Johnson believed that all needs were being met even with the conservative budget. He said departments could request a larger budget than before and staff would look at the needs and justifications for the request and then present it to Council.

Mr. Johnson said projections for state-shared revenues— distributions from sales taxes collected by the state, income taxes, HURF (Highway User Revenue Fund), and vehicle license taxes—remained the same as fiscal year 2020 because the City had not yet received any estimates from the state. For use fees, projections were based on the January 2020 rate increase and the number of customers as of December 30, 2019.

Mr. Johnson reviewed and compared expenditures in the General Fund and Special Revenue and Proprietary Funds (streets, airport, aquatic center, wastewater, and water) for operating costs, personnel, and capital projects from fiscal years 2017 through projections for 2021. The numbers would certainly change since no department budget meetings had been held yet. Fluctuations in the General Fund varied year to year based on projects and programs.

Mr. Johnson said expenditures for all funds in fiscal year 2021 were projected to include 25.3% for operational costs, 33.8% for personnel, 12.5% in unbudgeted reserves (fund balance), 2.8% for debt service, 25.1% for capital projects, and 0.5% in Council Contingency and Capital Improvements Program reserves. In the general fund (the City's main operating account, which didn't include enterprise funds) the money was spent on police (36.4%); streets and airport (25.0%); community services (7.5%); general operations (12.9%); administrative services (5.8%); manager, attorney, and clerk's offices (5.1%); engineering (2.9%); planning and zoning (2.4%); city council (1.4%); and city magistrate (0.6%).

Councilman Kelley asked about the water capital expenditures funds and the estimated negative 52.5% for the fiscal year 2020. Ms. Bilbie said that the carry over numbers had not been completed yet so that percentage was not realistic. She said when the recommended budget was presented to Council in April the numbers would be corrected.

Mr. Johnson 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 \$250,000, 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.

Councilman Leech asked if staff had budgeted training expenses for employees in public works department. He said some employees would be retiring from public works in future years and current employees would need to be trained to move up into those positions if they wished to. Mr. Johnson said human resources department had been working with public works staff and had a plan in place for the upcoming retirements and advancements for current employees. Staff had a comprehensive employee roadmap for public works.

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 23 and April 16). Staff would present a recommended budget to the Council at the regular meeting on April 7 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. In addition, a budget worksheet for citizens to submit suggested projects or programs valued less than \$50,000 was available online and at city hall.

Councilman Leech said the Frontier Field project to install power to the poles would be a project that he anticipated needing a large budget for next fiscal year. Mr. Muder said that project was already budgeted in fiscal year 2020 and should be finished this year before any major events occurred at Frontier Field.

4. Adjournment.

There being no further discussion, **MAYOR SEYMORE ADJOURNED THE STUDY SESSION OF THE SHOW LOW CITY COUNCIL OF JANUARY 21, 2020, AT 6:33 P.M.**

ATTEST:

APPROVED:

Tamra Reidhead, City Clerk

Daryl Seymore, 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 21, 2020. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this _____ day of _____, 20____.

(SEAL)

Tamra Reidhead, City Clerk