

MINUTES OF THE BUDGET TOWN HALL AND STUDY SESSION OF THE SHOW LOW CITY COUNCIL HELD ON THURSDAY, APRIL 16, 2020 AT 6:00 P.M. IN THE CITY COUNCIL CHAMBERS, 181 NORTH 9TH STREET, AND BY TELEPHONE CONFERENCE CALL, 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 Brandt Clark, 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; and by telephone: Shirley Patterson, City Magistrate; Cari Bilbie, Accountant; Justen Tregaskes, Planning and Zoning Director; Bill Kopp, Public Works Director; Rick Austin, Public Works Operations Manager; Shane Hemesath, City Engineer; Tom Bahr, Airport Manager; Jay Brimhall, Community Services Director; Joe Shelley, Police Chief; Brad Provost, Police Commander; Jeff McNeil, Police Commander; and Tamra Reidhead, City Clerk.

GUESTS: None.

3. Invocation.

Mayor Seymore gave the invocation.

4. Pledge of Allegiance.

Vice Mayor Allsop 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, 2021.

Mr. Muder said staff finished the budget early in March, so this budget would reflect how it was prepared and did not take the effects of COVID-19 into consideration. He thanked Ms. Bilbie and Mr. Johnson for their work on the budget. Staff would take the next few weeks to evaluate tax revenues and how they would impact budget and then make appropriate adjustments.

Mr. Johnson said that tonight's meeting would be discussion of the recommended budget for fiscal year 2021. If other study sessions were needed, they would be scheduled for April 23 and April 30, but they probably would not be needed. Staff wouldn't know more about the COVID-19 impact on tax revenues in two weeks than they knew today. Adoption of the tentative budget would probably be moved to June and final adoption to July.

Mr. Johnson began with a review of information that was prepared for the budget town hall. He 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 \$55.8 million, which did not include all capital improvement projects. The fiscal year 2020 budget was tracking well and actual expenditures would continue to underspend the budgeted amount. The City's conservative budgeting had put the City in a good position for special circumstances like were currently happening. As the current budget process progressed, the carryover amounts would be updated.

Mr. Johnson said the City's four major sources of revenues consisted of the beginning fund balance of \$22,842,462 from prior years' savings including reserves, other financing sources (unanticipated) of \$4,000,000, interfund transfers of \$5,045,307, and operating revenues of \$34,984,640 (revenue that would be collected or earned from operations during the fiscal year).

Mr. Johnson said estimated operating revenues for all funds for fiscal year 2021 came to \$34,984,640, attributed to local sales taxes (32.0%), utility fees (26.1%), state-shared revenues (13.8%), charges for services (12.9%); inter-governmental funds (8.8%), fines and forfeitures (0.5%), and miscellaneous (5.9%).

Mr. Johnson said utility fee revenues were projected to be \$9 million, consisting of water at \$5.6 million, wastewater at \$3.4 million, and sanitation at \$1.0 million. Water rates did not have a CPI adjustment for calendar year 2020, but the water rights preservation fee was increased per an approved tiered rate. Wastewater rates increased January 1 to reflect a CPI adjustment, whereas the sanitation CPI adjustment would take place July 1.

Vice Mayor Allsop asked if there would be any changes to the Waste Management contract. Mr. Johnson said no, the contract was good for the next few years.

Mr. Johnson said local sales tax collections, the number one source of revenue, were budgeted at \$10.5 million, the same as the last few years. The number could be adjusted down if need be. Currently, the budget was 7% ahead of where the City was last year at this time. Sales tax collections were

conservatively estimated to be about the same as fiscal year's 2020 budgeted amount, but staff would be closely monitoring collections going forward.

Councilwoman Kakavas asked how long the lag would be before staff would know the impact on sales tax revenues. Mr. Johnson said sales taxes were reported about a month and a half behind. When the April sales tax report was received, it would show February's numbers. The May sales tax report would reflect numbers from when the slow-down began.

Mr. Johnson said state-shared revenues of \$4.8 million were budgeted at 95% of state estimates for FY2020. State-shared revenues were based on an estimated population of 11,736. They had been growing every year for the last few years. Intergovernmental revenues were \$3.0 million and included grant revenue and new grants that would come before the Council for approval as they were awarded.

Mr. Johnson said personnel expenses, including an increase in full-time equivalents (FTE) from 164.5 to 166.5, for a total budget of \$16,591,909. The personnel budget included an increase of \$991,111 for staff increases depending on revenues, an increase for Arizona State Retirement System payments from 12.11% in FY2020 to 12.22% in FY2021, and an additional \$34,201 toward the Public Safety Personnel Retirement System so a \$1.3 million one-time payment could be made toward the debt.

Councilwoman Kakavas asked if the budget would include a percentage for merit increases. Mr. Johnson said they were planning a 4% increase, but that was before COVID-19 so he didn't expect it to remain at 4%.

Mr. Johnson reviewed personnel by service area and said public safety had 35% of the City's employees; community services, 15%; utilities, 16%; public works, 18%; general government, 13%; and planning and zoning, 3%.

Mr. Johnson said capital/contingencies totaled \$15.4 million. The largest expense in this category was for streets/engineering at \$4,264,500. Council contingency was increased from \$250,000 to \$300,000, and project carry-overs from FY2020 were not included.

Mr. Johnson said CIP reserves totaled \$4.1 million, which included three months' operating revenues. The general fund included a \$1.0 million voter-required reserve, but the City had a \$2.7 million reserve, triple what was legally required. The water treatment plant reserved was increased from \$1.5 million in FY2020 to \$1.7 million for FY2021. Wastewater operating reserve was at \$437,799, slightly over a two-month reserve.

Mr. Johnson said debt service (total outstanding debt) across all funds was \$2.1 million. The City had focused on paying down the PSPRS debt and once paid, would start looking at other debt that can be prepaid. The debt service included both principal and interest payments and did not include Show Low Bluff CFD.

Mr. Johnson said expenditures by service area were utilities (23.5%), public works (25.2%), public safety (19.1%), community services (3.9%), general government (25.2%), debt service (2.8%), and improvement districts/Community Facilities District (0.3%). He said in general fund expenditures by departments, the police department (36.0%), airport (10.2%), and facilities maintenance (9.0%), spent the most.

Mr. Muder said department directors were on the telephone call if the Council had any questions for them.

Budget discussion began with the Magistrate Court budget of \$102,399, a 6.61% increase over FY2020. Extra funds were added for the pro-tem judge. The Court had 1 FTE (full-time equivalent) and contracted with Navajo County for the Court Clerk. Court staff would continue to use JCEF (Judicial Collection Enhancement Fund) 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 \$623,309, a 4.94% increase over FY2020. This department had 5.5 FTEs and seven Planning and Zoning Commission members (not included as FTEs), with 88% of the total budget for salaries and related expenses. Cost drivers included purchasing a four-wheel drive truck to replace the current older code enforcement vehicle.

Discussion moved to the Community Services Department, Administration division with a budget of \$259,947, a 9.78% decrease from FY2020. There were two FTEs, with 81% of the budget for salaries and related expenses. The decrease was partly due to the Christmas light budget being moved to Park/Facilities Maintenance budget.

Discussion turned to the Library budget of \$572,887, a 34.86% decrease over FY2020. This division had 8.5 FTEs, with 75% of the budget for salaries and related expenses. Other expenses included utilities and \$300,000 in capital for a library expansion, contingent on receiving \$150,000 in grant funds.

Discussion moved to the Recreation budget of \$440,676, a 1.05% increase over the FY2020 budget. This division had 6.3 FTEs, which included three full-time employees, with 54% 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 \$118,000.

Discussed turned to the Aquatics budget of \$577,134, a 7.38% decrease from the FY2020 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 FY2020.

Discussion turned to Special Revenue Funds, beginning with the Debt Service Fund of \$1,345,891, a 4.75% decrease from FY2020 mainly due to the Butler land purchase, which was completed in FY2020, and a decrease in the interest payment for the public safety building and Greater Arizona Development Authority refinance per the schedule. The General Fund subsidy (transfer) would contribute \$1,103,183 and transportation development impact fees would transfer in \$135,111. 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, a 2.93% increase over the FY2020 budget mainly due to an increase in insurance premiums, an increase in third-party administrator costs, and a small increase for the wellness program. The self-insurance fund was fully funded and in good shape.

Councilwoman Kakavas said she was impressed with staff and the wonderful job they did managing this fund.

Discussion moved to the Cemetery budget of \$85,000, the same as in FY2020. The major cost driver was \$70,000 for a cemetery expansion project in FY2021. Direct revenues were estimated at \$35,100 with a maintenance reserve fund of \$200,000, which had built up over the last few years.

Councilman Leech said several people had asked him about better signage for the cemetery. He suggested designing something in the future that was larger and more noticeable than just a simple street-sized sign. Mr. Johnson said staff would make note of this request and come back to the Council with a recommendation.

Discussion moved to the Sanitation budget of \$1,037,000, which was the same as in FY2020. The CPI (Consumer Price Index) rate adjustment in July allowed for an adjustment in monthly fees, and staff anticipated receiving CPI information from Waste Management near the end of April. The monthly rate in FY2020 was \$15.09. Rate revenue was estimated at \$1,000,000 from approximately 5,589 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 \$151,680 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 last fiscal year, 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. Staff would monitor valuations as they could decrease depending on the COVID-19 impact.

Discussion moved to the Projects Fund (for capital projects and grants) of \$6,586,095, with \$4.0 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 \$877,731 for a range of capital projects, including \$30,000 for the Court, \$349,850 for the Library, \$1,550,000 for Parks/Facilities Maintenance, \$356,245 for Community Services, and \$300,000 for the Police Department.

Discussion moved to the Administrative Services department, which included Human Resources, Information Systems, Finance, and Public Transportation. The Human Resources budget of \$343,850 was a 5.71% increase over FY2020. The department had three FTEs, with 88% 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.

Discussion turned to the Information Services budget of \$403,789, a 6.42% increase over FY2020. This division had two FTEs, with 49.0% of the budget for salaries and related expenses. Other cost drivers included small equipment/capital purchases (workstation replacements, monitors, UPSs, Council iPads, and camera replacements at the aquatic center).

Discussion moved to the Administrative Services/Finance budget of \$780,169, a 0.31% increase over FY2020. This department had seven FTEs, with 76% of the budget for salaries and related expenses.

Discussion turned to the Public Transportation budget of \$806,979, a 26.08% decrease from the FY2020 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 \$109,183, supplemented by federal grants of \$445,285 and partner funding of \$174,433.

Discussion then moved to the various budgets listed under Administration. The first was the City Council budget of \$407,093, an increase over FY2020 to include travel and training/non-staff for two students to attend the National League of Cities Conference in Washington, D.C. The school district would pay for the chaperones to accompany the students. The FY2020 budget included \$300,000 in the Council Contingency line item, which was 73.0% of this budget.

Discussion moved to the City Manager budget of \$522,972, a 13.04% increase from the FY2020 budget. The department had two FTEs (the City Manager and Business Development Coordinator), with 89% of the budget used for salaries and related expenses. The budget also included \$15,000 to implement the Focused Future II strategic plan for economic development. The majority of the increase was due to budgeting full PTO payout due to retirement eligibility.

Discussion turned to the City Attorney budget of \$300,758, a 7.41% decrease over FY2020. The department had 1.6 FTEs, with 79% of the budget used for salaries and related expenses. The decrease was attributed to the decrease in county prosecution fees due to the voter-approved Navajo County Jail Tax.

Discussion moved to the General Operations budget of \$5,605,565, a 2.73% increase from the FY2020 budget. This budget included \$3,504,004 for inter-fund transfers, \$410,000 for general liability insurance, \$311,683 in organizational support/community promotions, \$179,700 for other contractual services (airport Part 139 services), \$25,000 for the right-of-way landscaping program, and \$29,000 for the Arizona Department of Revenue to process sales tax and other tax information. Staff received a notice of a premium rebate of \$185,000 for FY2021, so an adjustment would be made to the recommended budget and a credit applied to the FY2021 bill instead of receiving a refund in 2020.

Discussion turned to funding requests for community promotions and organizational support. The increases in funding requests were reviewed by a committee that recommended \$15,000 for Show Low Main Street even though they requested \$20,000. The Deuces Wild Rodeo requested an increase of \$1,500, but the committee recommended the amount remain the same as last year at \$4,500.

Councilman Kelley asked about the funding for Main Street. Mr. Muder said Main Street wanted to hire a part-time director, which would reduce their reliance on City staff.

Mr. Johnson said in organizational support, the FY2021 budget showed \$57,500 for the Show Low Chamber of Commerce, \$20,000 for White Mountains Partnership, \$45,000 for White Mountain Meals on Wheels (which also managed the City's Senior Center), \$34,000 for Show Low Historical Society, \$15,000 for Show Low Main Street, \$5,000 for REAL AZ Corridor, \$109,183 for Four Seasons Connection, and \$5,000 for White Mountain Community Garden, for a total of \$290,683.

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 Darren Reed Scholarship Fund, \$2,000 for White Mountain Symphony, and \$3,000 for Show Low High School Grad Night, for a total of \$21,000.

Discussion moved to the Public Information department, which included City Clerk and Show Low TV. The City Clerk budget was \$350,268, a 39.75% increase over FY2020 due to increases in salary and related expenses because of personnel changes. This division had two FTEs, with 79% of the budget for salaries and related expenses. The budget also included election expenses estimated at \$39,000, which showed an increase from \$18,000 in FY2020. Staff had discussed the idea of adding to the City's social media efforts and adding a full-time social media technician. The additional position would be dependent on revenues and would have to be approved by the Council. Mayor Seymore said the person should be trained and have knowledge of graphic art and appropriate software.

Discussion turned to the Show Low TV budget of \$224,927, a 4.8% increase over the FY2020 budget. This division included 2.3 FTEs (one full-time and three part-time positions), with 82% of the budget for salaries and related expenses. A portion of the increase was due to personnel costs resulting from the minimum wage increase.

Discussion moved to the Police department. The overall budget of \$9,066,015 was a 5.63% decrease from the FY2020 budget. In FY2020 \$1.7 million was programmed for a payment to the Public Safety Personnel Retirement System (PSPRS) to go towards the deficit. For FY2021, \$1.3 million was included for a one-time payment to the (PSPRS) toward the deficit. Last July, the City paid \$700,000 and planned to pay \$1 million in June of this year, but the \$1 million June payment was contingent on revenues. It was possible the City might just pay a portion depending on the situation. Once the final budget was adopted,

the City could spend less than what was budgeted, but it could not spend more. Just because a certain amount was shown in the budget didn't mean the City had to spend it. When adjusted for the City's one-time PSPRS payment, the budget decreased 2.91%. The department had 57.3 FTEs (one FTE increase for proposed community relations position), with 32 sworn positions, and with 87% of the budget spent on personnel costs for five divisions.

Vice Mayor Allsop asked about the PSPRS balance that was reported in the White Mountain Independent. Mr. Johnson said the City owed \$5.4 million according to the actuarial for fiscal year 2019 reported in December 2019.

Councilwoman Kakavas asked for a description of the community relations position. Chief Shelley said the position was to begin doing the outreach that had been neglected for the last few years. One thing was a huge need for social media, which was the best way to get information out to the public. This would be a full-time position, because they had tried it with someone doing it part-time and it was just not feasible because the officers had too much other work to do.

Councilman Clark asked where the individual would be placed within the police department organization. Chief Shelley said he would suggest the person be under the administration side of the department to control the messages going out and ensure they were working to get the same message out as the City.

Councilman Clark asked if the person would be a sworn officer. Chief Shelley said the position would be a non-sworn position, which would be less expensive. There were a couple of internal candidates who already had the required clearances and could do a great job. If 90% of this person's time was going to be spent doing community relations and social media, there would be little time to do enforcement. The person would be a police aid, so there would be some things they could help with, such as traffic control or accidents.

Councilman Clark asked if there would be any redundancy by creating this full-time position plus the one in the city clerk's office. It seemed as if there would be two people doing the same thing. Chief Shelley said staff had discussed this concern, but due to the fact information coming from the police department could change every half hour, it would be best this way. It would be too much for one person to fit it all into a 40-hour schedule. Some messages going out would be the same, but some areas would not cross over, which would be the investigative and intel side.

Mr. Muder said staff wanted it to be a team effort, but they were also taking into consideration that there were a couple people who were close to retirement who worked with the City's social media and the web page. Staff wanted to make sure there was someone in place doing social media for when those employees retired.

Mayor Seymore felt that Show Low was behind on technology and community outreach based on the recent situation with COVID-19. He felt both positions would be crucial and understood why one person couldn't do it justice.

Councilwoman Kakavas asked if staff had researched the possibility of grant funding for this position at the police department. Chief Shelley said yes, they had tried to find programs or grants for this position but had been unsuccessful for two years.

Councilman Clark asked what the cost would be for a non-sworn versus a sworn position. Mr. Muder said he and Mr. Johnson talked about it and said the cost for a sworn position could be 30 to 50% higher.

Mr. Johnson said the Operations budget was \$7,192,250, a 7.42% decrease over FY2020 or a 2.91% decrease when adjusted for the additional PSPRS payment. The main cost drivers were 88% for personnel costs and \$1,300,000 for PSPRS.

Mr. Johnson said Capital costs of \$285,651 included \$165,651 for removing and remodeling evidence storage and walk-in freezer (carried over from FY19), \$50,000 for fencing around the old police department, \$50,000 for IT upgrades, and \$20,000 for shooting range improvements. Funding for an SRT truck of \$300,000 was not included in the operations budget total and would be partly paid for with grant funding.

Discussion turned to the Investigations budget of \$38,700, an 18.71% increase over FY2020. All personnel costs were included in the Operations budget. The increase of \$6,100 included a \$5,000 increase for small equipment/capital for new photography equipment and \$1,100 for rental and maintenance contracts due to a slight increase in existing contracts.

Discussion turned to the Administration budget of \$71,500, a 32.24% decrease from FY2020. All personnel costs were included in the Operations budget. The major cost driver for the decrease was a one-time expense for the police records management software (RIMS system) conversion that completed in FY2020.

Discussion moved to the Communications budget of \$1,589,548, a 3.82% increase over FY2020. There were 18.3 FTEs. The major cost drivers were an increase of four FTEs due to budgeting for the entire FY2021 for the merger with Snowflake/Taylor Communications (one IT specialist and three dispatchers). Dispatching revenue was estimated at \$807,485, a \$123,632 increase with the Snowflake/Taylor Communications merger.

Discussion turned to the Animal Control budget of \$174,017, a 3.24% increase over FY2020. There were 2.0 FTEs, with major cost drivers being personnel costs at 81% of the budget and an increase in the Pet Allies contract payment.

Discussion turned to the Public Works department. Mr. Johnson said the first division was the Airport budget of \$2,556,103, a 20.52% increase over the FY2020 budget or a 6.91% decrease when adjusted for capital projects. The increase was due to completion of the Runway 06/24 rehabilitation project that wasn't covered by grant funding. There were 5.5 FTEs. The main cost driver was fuel for resale (with offsetting revenues). The budget included capital expenditures of \$1,327,966, including \$70,000 for south safety and security fence, \$1,221,966 for rehabilitation south apron construction, \$28,000 for HVAC system, and \$8,000 for key scan system.

Discussion moved to the Engineering budget of \$836,680, a 17.65% increase over FY2020. There were 6.0 FTEs, with the majority of the increase attributed to capital purchases of a GPS survey unit and a truck to replace a construction inspection vehicle.

Mayor Seymore asked if the GPS survey unit was used for in-house survey projects. Mr. Hemesath said they used the equipment for a wide range of things, such as manholes, water mains, construction staking, and gathering information to design projects in-house.

Discussion moved to the Parks and Facilities Maintenance budget of \$2,267,979, a 44.57% increase over FY2020. When adjusted for capital purchases, the increase would be 24.6%. The cost drivers were repair and maintenance costs, small equipment/capital, and addition of the Christmas lights to this department's budget. There were 8.0 FTEs. Capital expenses for FY2021 totaled \$1,012,900, including \$250,000 for City Campus Master Plan, phase 1; \$120,000 for City Campus Master Plan Improvements—roof replacement; \$90,000 for Archibique Park playground remodel; \$120,000 for Show Low Lake fishing docks; \$40,000 for security upgrades at city hall; \$225,000 for City Park streets and trails makeover; \$49,900 for Raeland Park remodel, \$15,000 for AC unit for new employee gym; \$15,000 for utility cart for cemetery; \$28,000 for infield machine; and \$60,000 for four-wheel drive service truck.

Discussion turned to the Streets/HURF (Highway User Revenue Fund) budget of \$5,392,484, an 8.29% decrease from FY2020 or a 7.65% increase when adjusted for capital. There were 11.0 FTEs. The majority of increase was for several capital project expenditures totaling \$4,169,500, including \$475,000 for the R&R (rehabilitation and rejuvenation, such as slurry sealing) program; \$1,275,000 for Scott Ranch Road; \$235,000 for general improvements; \$48,000 for 6th Street improvements; \$45,000 for 16th Street improvements; \$126,000 for West Owens Pine Haven to Deuce of Clubs; \$180,000 for 4th Avenue Old Linden

Road to Cooley; \$180,000 for Hillcrest subdivision; \$185,000 for sidewalk from Show Low Lake Road to Scott Ranch Road; \$165,000 for 14th Loop; \$200,000 for lowering power lines and install lights on Deuce of Clubs; \$165,000 for Cooley improvements from Central to 4th Avenue; \$600,000 for Joe Tank Road improvements; \$60,000 for downtown parking on East Cooley; \$82,500 for 4,000 gallon water truck (split with Water department); \$18,000 for asphalt roller (split with Wastewater and Water departments); \$60,000 for a truck with plow; and \$70,000 for a service truck. There was a General Fund subsidy of \$1,483,019.

Councilwoman Kakavas asked what the estimated time frame was for building the Scott Ranch Road bridge. Mr. Johnson said each year the City applied for a BUILD (formerly TIGER) grant. Grants Manager Lisa Robertson was working on a grant for this year now. The total cost to build would be around \$10 million. The City had been spending a little money for a consultant to help with a cost-benefit analysis, which would improve the status of the City's application.

Mr. Kopp said staff was currently working on some aspects of the project, such as environmental issues and the Clean Water Act 404 permitting. Ironside Engineering had been helping with that portion of the project. He felt the City was making strides forward and would get it timed right so the environmental permitting would be in place.

Mayor Seymore said the bridge project was a no. 2 rated project in the region, and Navajo County was pushing very hard for it. He and Vice Mayor Allsop had also met with Senator Sinema regarding this issue and they were working on federal funding with Congressman O'Halleran as well.

Councilman Leech asked what was being done on the Joe Tank Road project. Mr. Johnson said staff was working on application for that one as well. The budget included \$600,000 for that project, but \$500,000 of that would come from grant funds. The City was ready if the grant money was approved.

Discussion turned to the Water Services fund of \$7,078,117, an 8.84% increase over FY2020 or a 5.89% increase when adjusted for capital. There were 14.0 FTEs. Rate revenue was estimated at \$4,488,804, with a \$1.7 million reserve for a future water treatment plant and \$940,000 for three months in operating reserve.

Mr. Johnson said water services capital projects costs of \$3,680,500 included \$200,000 for general improvements, \$260,000 for SCADA (monitoring software) upgrades, \$170,000 for 11th Avenue from Owens and McNeil, \$125,000 for McNeil and 1st Drive, \$200,000 for water tank site improvements, \$250,000 for water storage tank maintenance, \$300,000 for backup generators, \$70,000 for new well design, \$1,000,000 for million gallon water storage tank, \$75,000 for downtown AC replacement, \$560,000 for Fawnbrook--phase 1, \$80,000 for plow

with dump; \$65,000 for truck with plow, \$82,500 for 4000 gallon water truck (split with Streets), \$40,000 for 4x4 truck, \$70,000 for mini excavator, \$18,000 for asphalt roller (split with Streets and Wastewater); \$65,000 for service truck, \$20,000 for electric valve turning tool, and \$30,000 for well camera.

Mr. Johnson said water capacity fees (one-time fees the City charged for new development to increase capacity) included revenue projections of \$35,000 and reserves of \$881,877 for future capacity projects. Capacity fees in the amount of \$500,000 would be used for the million gallon water storage tank project at well no. 8 or 13.

Discussion turned to the Wastewater fund of \$3,644,831, a 1.88% decrease from FY2020 or a 2.959% increase when adjusted for capital. There were 12.0 FTEs. Rate revenue was estimated at \$3,039,528. Capital expenditures of \$1,405,583 included \$92,583 for the Days Inn sewer line, \$350,000 for West Cooley sewer improvements, \$630,000 for the Savage sewer line replacement--phase 1, \$15,000 for the Show Low South land exchange; \$200,000 for the manhole replacement program, \$50,000 for general improvements; \$50,000 for backup generators; and \$18,000 for an asphalt roller (split with Streets and Water).

Mr. Johnson said for Wastewater Capacity/Impact Fees, staff anticipated \$150,000 in revenue from fees and a fund balance of \$751,652 for future projects, including \$352,800 to be used for the Savage sewer line replacement project.

Mr. Johnson said adoption of the tentative budget was scheduled for June 16 and the final budget would be adopted at the July 21 meeting. The secondary property tax levy would be adopted at the August 4 meeting. The timeline would allow time to watch for revenue trends before final budget adoption.

Mr. Muder said if the Council had any questions, to feel free to call him.

9. Adjournment.

There being no further discussion, **MAYOR SEYMORE ADJOURNED THE BUDGET TOWN HALL AND STUDY SESSION OF THE SHOW LOW CITY COUNCIL OF APRIL 16, 2020 AT 7:32 P.M.**

ATTEST:

APPROVED:

Tamra Reidhead, City Clerk

Daryl Seymore, Mayor

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 16, 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