MINUTES OF THE BUDGET TOWN HALL AND STUDY SESSION OF THE SHOW LOW CITY COUNCIL HELD ON THURSDAY, APRIL 6, 2023, 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, Councilman Adams, Councilman Hatch, Councilman Allsop, and Councilman Judd.

   COUNCIL MEMBERS ABSENT: Vice Mayor Kakavas and Councilman Clark.

   STAFF MEMBERS PRESENT: Morgan Brown, City Manager; Anna Atencio, City Attorney; Justin Johnson, Deputy City Manager; Brad Provost, Police Chief; 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; Jacob Allen, Airport Manager; Kathy Clements, Assistant City Clerk; and Rachael Hall, City Clerk.

   GUESTS: John Hannah and Jacque Allen.

3. Invocation.

   Councilman Hatch gave the invocation.

4. Pledge of Allegiance.

   Mayor Leech 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, 2024.

   Mr. Johnson said tonight's study session was to present a budget review of the recommended department budgets, including a synopsis of anticipated revenues and expenditures, for fiscal year 2024. If needed, another budget review was scheduled for April 20 and April 27. He said staff would present an overview of the tentative budget on May 16, including any changes to the recommended budget per the Council's direction. The final budget would be adopted on June 20 and the City would adopt the secondary property tax levy on July 18.

Mr. Johnson said the recommended budget for FY2024 was $132,859,172. He said that some projects planned for FY2023 would not be completed, and the unused funds would be carried forward into FY2024.

Budget discussion began with the Magistrate Court budget of $108,408, a .43% decrease over FY2023. Cost drivers included $56,500 for a contract with Navajo County for the Court Clerk and continued use of JCEF and other restricted court funds for specific uses within the court, such as travel, training, and eligible expenses. All department expenses were recovered from revenue of $151,600.

Discussion turned to the Planning and Zoning budget of $814,309, a 3.11% decrease over FY2023. This department had seven Full Time Equivalents (FTEs) and seven Planning and Zoning Commission members (not included as FTEs), with 93.07% of the total budget for salaries and related expenses; 41.19% of expenses were recovered from revenue of $335,400. One of the reasons for the decrease was that no vehicles were budgeted in the 2024 budget.

Discussion turned to the City Attorney budget of $329,910, a 20.08% decrease from FY2023, with 81.18% of the budget used for salaries and related expenses. The decrease was due to moving a .5 FTE to the City Clerks budget and the Communications Manager's salary to the Public Information budget.

Mayor Leech asked if we still had the part-time staff under the City Attorney. Mr. Johnson said the half-time position under the City Attorney was moved to the City Clerk's department.

Discussion moved to the Community Services Department, Administration Division, with a budget of $404,838, a 4.93% decrease over FY2023. There were 2.5 FTEs, with 78.78% of the budget for salaries and employee-related expenses.

Mayor Leech asked if there were enough staff to cover all the necessary grant research and writing. Mr. Johnson said yes, the City would have 1.5 FTEs dedicated to grant writing, while last year, the City only had three-quarters of an FTE dedicated to grant writing. He said staff would continue to monitor the situation, and a recommendation would be brought to the Council if changes were needed.

Discussion turned to the Library budget of $708,443, a 13.37% increase over FY2023. This division had 8.5 FTEs, with 75.23% of the budget for salaries and related expenses. Cost drivers included two part-time positions converted to one full-time position, the addition of two part-time positions during the summer, and $30,000 for small equipment/capital to replace 16 computers and a public printer.

Discussion moved to the Recreation budget of $583,453, a 16.5% increase over FY2023. This division had 6.8 FTEs, which included three full-time employees and the addition of one part-time employee, with 56.17% of the budget for salaries and related expenses. Besides salaries, the most significant cost driver was a $50,000 capital expense for a new fleet vehicle. Direct revenue was estimated at $143,000, and 24.51% of expenses would be recovered through revenue.

Councilman Allsop asked if the three FTEs were the staff at the Aquatic Center. Mr. Johnson said yes, the three FTEs were the staff who officed out of the Aquatic Center.

Discussion turned to the Aquatics budget of $764,314, a 20.54% increase from the FY2023 budget. There were 8.5 FTEs, which included one full-time employee, with 56.17% of the budget for salaries and related expenses. There were direct revenues from fees, estimated at $94,800, 12.4% of the budget. The budget increase accounted for the state-mandated minimum wage increase, the purchase of a tuff shed for concession sales, $8,000; an ADA bathroom on the pool deck, $39,000; shower replacements in the locker rooms, $30,000; and a new pool pump, $15,000.

Mayor Leech asked where the subsidies for the pool were accounted for in the budget. Mr. Johnson said the subsidies were listed as a revenue line item in the General Fund.

Discussion turned to the Public Information budget of $337,268, a 44.91% increase from FY2023. The Communications Manager's salary was moved from the City Attorney budget to the Public Information budget and accounted for most of the increase. Major cost drivers included personnel costs at 82.46% of the budget as well as $10,510 for TV replacements, cameras and camera accessories, and $17,500 for Tricaster replacement.

Discussion moved to the Police Department. The overall budget of $10,838,660 was a 7.91% decrease from FY2023. In FY2023, $1.0 million was programmed for a payment to the Public Safety Personnel Retirement System (PSPRS) to go towards the deficit. In FY2024, there would be no additional PSPRS payments for unfunded liability. When adjusted for the City's one-time PSPRS payment, the budget increased by .64%. The department had 61.3 FTEs, a decrease from 63.3 FTEs in FY2023. There was a decrease of two FTEs in Communications, a decrease of one FTE for an officer, and an increase of one FTE for a Records Custodian. There were 34 sworn positions and 69.6% of the budget was spent on personnel costs for five divisions; 12.07% of expenses were recovered through revenue.

Councilman Judd asked if the police department was fully staffed. Chief Provost said, yes, the department was now fully staffed.

Councilman Allsop asked if the City would continue putting $1.0 million into PSPRS annually. Mr. Johnson said no; this year, staff recommended not paying an additional $1.0 million to the PSPRS. The City would be almost 100% funded without making additional supplemental payments.

Councilman Allsop asked how the City of Show Low compared to other municipalities regarding funding their PSPRS. Mr. Johnson said the City was probably in the upper 10% of the state.

Mr. Johnson said the Operations budget was $8,370,290, a 10.21% decrease over FY2023 or a .59% increase when adjusted for the additional PSPRS payment. The main cost driver was 68.94% for personnel costs, including adding one FTE for a Records Custodian. Operation budget of $715,988 included $62,300 for laptops, body cameras, and radars; $20,000 for bulletproof vests and vest carriers; $126,000 for fuels and lubricants; $59,088 for rental and maintenance contracts; $46,000 for repairs and maintenance; and $7,100 for telephone expenses.

Mr. Johnson said that regarding the telephone expense, officers would be given an option to opt-in for a work cell phone from First Net, which gave public safety personnel first priority in the event of an emergency. Also, if an officer had to turn their phone over as part of an investigation, they would only need to provide their work phone rather than their personal one.

Chief Provost said the phones could be purchased from First Net for about ninety-nine cents, and the network was on a different bandwidth for public safety personnel only that was subsidized by the federal government. Officers could also use the digital camera on these phones, and the City would no longer need to provide cameras to the patrol officers.

Mayor Leech stated that Council members were concerned about school safety and asked what was being done to get more police presence at the schools.

Chief Provost said staff was working on the issue of increasing school safety. The Arizona Department of Education had $50 million in grant funding for School Resources Officers (SRO). Staff had requested two SROs and would be applying for a third. Staff was applying for an additional grant that provided overtime funding for off-duty and reserve officers to provide supplemental coverage at schools.

Chief Provost said the City was equipping officers with entry tools in the event schools were barricaded and providing all officers with helmets. He said the Show Low Police Department was continually looking at shooting events around the country, debriefing them, and looking for gaps in the department.

Mr. Brown said staff recently met with the Show Low School Board Superintendent and discussed the direction the Show Low Police Department was moving, and he was on board with the plans.

Mayor Leech asked if any school shooter training was planned. Chief Provost said that Blue Ridge just completed a multi-discipline training, and the Show Low Police Department had some tabletop exercises planned with fire agencies and other law enforcement and were collaborating with the schools.

Chief Provost said camera systems were being upgraded in the schools, and in August, a system called MutuaLink would go live in the schools. Through MutuaLink, school employees would have access to an app on their phones that would allow them to send out a call for help directly to law enforcement. Law enforcement could communicate directly with the school and access video feeds through the app.

Mr. Johnson discussed the Capital expenditures of $1,883,566, which included $1,000,000 for the dispatch move/remodel project; $35,000 for IT upgrades for software and hardware; $150,000 for shooting range improvements; $50,000 for remodeling of evidence building; $125,000 for high-density storage; $50,000 for six shared cubicles and workstations for Investigations; and $473,566 to purchase vehicles.

Councilman Allsop asked if the City was still trying to rotate police vehicles every three years. Chief Provost said yes, staff typically tried to replace four to six vehicles as part of the rotation.

Discussion turned to the Investigations budget of $63,250, a 62.18% increase from FY2023. All personnel costs were included in the Operations budget. The main cost drivers included contractual services for 3D Mapping Software, $8,700; Nighthawk Cloud, $7,800; Search Warrant Builder, $5,000; $3,600 for a truck-mounted LED light system; and $2,900 for a three-shelf high walking platform.

Discussion turned to the Administration budget of $80,150, a 4.54% increase from FY2023. All personnel costs were included in the Operations budget. The major cost drivers included travel and training for staff, $22,000, and professional consulting services, $7,000.

Discussion turned to the Communications budget of $2,121,919, a .92% decrease over FY2023. There were 18.3 FTEs, down from 20.3 FTEs in FY2023. The major cost drivers were personnel costs, 75.42% of the budget, $32,000 for small equipment/capital, and $91,188 for rental and maintenance contracts. Dispatching revenue was estimated at $906,661.

Councilman Allsop asked if the City had enough staff to manage the additional calls if the City were to take on other municipality's dispatch calls. Chief Provost said yes, staff should be able to manage additional traffic.

Discussion turned to the Animal Control budget of $203,051, a 6.35% increase from FY2023. There were 2.0 FTEs, with significant cost drivers being personnel costs at 84.73% of the budget.

Discussion turned to the Public Works Department. Mr. Johnson said the first division was the Airport budget of $4,217,112, a 5.49% decrease over FY2023 or a 4.15% decrease when adjusted for capital projects. There were 5.5 FTEs. The main cost drivers included fuel for resale (with offsetting revenues), 78.04% of Operating Expenditures recovered through Operating Revenues, and capital projects not covered by grants. The budget included non-grant capital expenditures of $831,783, including $31,783 for an Aviation Weather Observation System; $800,000 in offsetting revenue for a large hangar and taxiway expansion; $25,000 for AFFF Testing Equipment; $11,000 for gate motor; and $10,000 for a striper machine. The airport received $1,056,000 in federal grants and $714,000 in state grants for projects.

Mayor Leech asked if there were any projects the Airport Advisory Committee had proposed that the Council needed to know about. Mr. Kopp said no; every time staff met with the Airport Advisory Committee, they raised a question about future projects. He said the Advisory Committee had asked for a perimeter road around the fence, but it was impossible to install one due to the terrain. The Advisory Committee had also requested the gate motor, which was in the budget.

Mr. Johnson said the airport was closely tied to state aeronautics and the Federal Aviation Administration and that many big projects were included in the City's five-year plan and were heavily grant funded.

Discussion moved to the Engineering budget of $1,092,222, an 8.09% increase over FY2023. There were 7.5 FTEs, with 84.6% of the budget for salaries and related expenses. The budget's increase was due to capital expenditures for GIS server replacement, $17,000; drone replacement, $44,000; new fleet vehicle, $40,000; and adding one FTE.

Discussion moved to the Parks and Facilities Maintenance budget of $4,901,713, a 49.37% increase over FY2023. When adjusted for capital purchases, the increase would be 16.59%. The cost drivers included $325,000 for repair and maintenance costs; $28,500 for small equipment/capital, and $1,171,263 capital project carryover from 2023. There was one additional FTE added for a department total of 9.0 FTEs. Capital expenses for FY2024 totaled $3,247,264, including $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; $25,000 for Museum Frontage Improvements; $20,000 for a ramada at Show Low Lake; $20,000 for a ramada at Show Low City Park; $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; $10,000 for basketball backstops and scoreboard at City gym; $252,874 for Reidhead house restoration; $12,000 Safety Ladder for City Hall; $23,000 for windscreens for pickleball courts; $125,000 to replace the roof at City Hall, $100,000 for dog park, $150,000 for the McCarty Park Restroom; $475,000 for the City Campus Master Plan Phase III; $250,000 for Nikolaus Park Phase III, $76,000 for new sand filters for the Aquatic Center; $325,000 for Tim McKay Park Phase 1; $300,000 for Show Low Lake Spillway Restroom/Utilities; $225,224 for three trucks with plows, and $155,000 for Toro mower replacement and mini track loader.

Councilman Allsop asked where the cost for Parks and Maintenance part-time employees was listed in the budget. Mr. Johnson said part-time employee costs were listed under a separate line item called part-time/contractual. There was about $150,000 listed there. The temporary, part-time employee line item had increased from $75,000 to $150,000 over the past few years.

Councilman Allsop asked if the part-time summer employees continue to work throughout the summer. Mr. Austin said there was a lot of staff turnover with the temporary, part-time summer staff.

Mr. Allsop asked if the City was wasting time and money hiring and training part-time seasonal staff that do not stick around. Mr. Kopp said hiring seasonal part-time employees allowed the City to try out employees before offering them full-time positions. A good employee was offered a full-time position when one became available.

Mr. Allsop asked how many part-time employees were hired in the summer. Mr. Austin said the Parks and Maintenance department hired four to six temporary part-time employees in the summer.

Councilman Allsop asked, since the City added so many projects over the past 13 years without increasing full-time Parks and Maintenance staff if it made sense to add more full-time staff instead of relying on temporary, part-time employees. Mr. Brown said staff would investigate adding more full-time staff to the Parks and Maintenance staff. One of the issues that would need to be addressed if the City hired a full-time employee in the summer is what would happen to that employee in the winter when work slowed down.

Discussion turned to the Streets/HURF (Highway User Revenue Fund) budget of $40,504,739, a 270.19% increase from FY2023 or a 37.06% increase when adjusted for capital. There were 11.0 FTEs. There was a General Fund subsidy of $5,285,038. The major cost drivers included $250,000 for drainage/ditch,

$100,000 for right-of-way maintenance, and $25.5 million for the Scott Ranch Road project.

Mayor Leech asked if the ditch and right-of-way maintenance costs were a one-time or one-year expense. Mr. Johnson said the ditch and right-of-way maintenance costs were for one year but could be added to future budgets until the City caught up on the maintenance.

Mayor Leech asked if these projects would go out to bid. Mr. Johnson said yes, the ditch and right-of-way projects would be put out to bid. The Public Works department would put together a scope of work and a request for a proposal for the work that needed to be completed.

Mr. Johnson said there were several capital project expenditures totaling $8,813,415, including $500,000 for the annual slurry seal program; $25,000,000 for Scott Ranch Road; $500,000 for general improvements; $550,921 for Hall Street and 11th Street box culvert; $467,159 for East Owens/Central Avenue to 2nd Street extension; $500,000 to lower powerlines; $60,000 for downtown parking on East Cooley; $35,700 for 14th loop; $500,000 for Joe Tank Road improvements; $75,000 for lower shop remodel; $455,000 for Nikolaus subdivision; $430,000 for McNeil Acres; $50,000 for Woolford and White Mountain Road reconstruction design; $80,000 for City Park street lights; $2,500,000 for Woolford reconstruction; $465,000 for West Owens and 30th Avenue; $531,000 for North 22nd Avenue and Kartchner; $443,000 for Old Linden Road from DOC to Central; $1,913,735 for Fawnbrook/White Mountain Vacation Village realignment; $2,870,320 for Thornton low water crossing; 60,000 for Huning pedestrian lights; $150,819 to purchase two service truck with plow; $15,000 for a hydraulic angle boom; $10,000 for a brush cutter; $12,500 for mower for Challenger tractor; $70,000 for ice detectors; $285,000 for 926 loader; and $186,900 for crane truck (split with Water). Capital grant funds of $30,047,513 for the following projects included $1,269,000 for Woolford Road reconstruction; $1,804,652 for Fawnbrook realignment; $2,706,711 for Thornton Low Water Crossing; and $24,267,150 for Scott Ranch Road.

Councilman Allsop asked if the City was putting an additional $500,000 into the Joe Tank Road improvements to finish the improvements after Gary Martinson completed the work he was supposed to do on Joe Tank Road. Mr. Johnson said it was initially thought the City had to pay the entire amount for the Joe Tank Road Improvements. However, grant funds were received, so the City only had to pay a match. The Arizona Department of Transportation (ADOT) would run the project, and the City would pay ADOT $500,000.

Mr. Hemesath said Mr. Martinson put up a bond in the event the grant funds did not come through. However, the grant came through, so the City would pay for the match for the Joe Tank Road roadwork from the highway to the trailhead.

Councilman Allsop asked when the Council approved the subdivision, he thought Mr. Martinson was supposed to improve Joe Tank Road to a certain point. Mr. Kopp said the bond posted by Mr. Martinson for the improvements was contingent upon federal funding. Since the grant funds came through Mr. Martinson would no longer be doing the road improvements.

Discussion turned to the Water Services fund of $7,729,914, a 27.07% decrease over FY2023 or a 0.69% increase when adjusted for capital. There were 15.0 FTEs, a reduction of one FTE, which was moved to Wastewater. Rate revenue was estimated at $4,514,084, with a $2.3 million reserve for a future water treatment plant and $1,168,999 for three months in operating reserve.

Mr. Johnson said water services capital projects costs of $4,085,518, a 41.47% decrease from FY2023, and included $91,253 for Jacques Dam at Show Low Lake study; $250,000 for water storage tank maintenance; $70,000 for new Well Design; $503,331 for Park Valley/Fools Hollow AC replacement phase 1; $180,375 for 300 K tank site improvements; $507,500 for Fawnbrook phase 1; $149,100 for Parkview subdivision replacement; $400,000 for general improvements; $277,000 City Park AC replacement; $293,000 Show Low Bluff well development; $65,000 for fencing around Public Works; $270,000 12" HDPE pipe for Show Low Lake; $58,676 to purchase a four-wheel drive service truck; $58,676 to purchase a four-wheel drive service truck with plow; $345,000 to purchase a 10-wheel dump truck; $70,000 to purchase a four-wheel drive vehicle; and $186,900 to purchase a crane truck (split with Streets). Budgeted grant revenue included $900,000 for installing a 1.0 million gallon water storage tank and $118,813 for backup generators. Mr. Johnson said there was a $35,000 revenue projection for capacity fees and $1,502,381 fund balance for future capacity projects.

Councilman Allsop asked if the City had budgeted for the cost to build or only the design costs for the Show Low Lake water treatment plant. Mr. Johnson said the budget did not include funds for building the water treatment plant. The City had multiple items to consider before building the Show Low Lake water treatment plant. Staff was waiting for the water system analysis study from PACE. Once that report was received, staff would be better informed to decide how to proceed. Also, staff was looking into drilling additional wells, and the City needed to finalize the water rights at Show Low Lake.

Mr. Kopp said staff looked closely at the wells the City received with the purchase of three water companies. A few of the wells were not in use at the time of purchase, and staff discovered some wells with good water production.

Discussion turned to the Wastewater fund of $12,432,271, a 40.98% increase from FY2023 or a 6.68% increase when adjusted for capital. There were 13.0 FTEs, an increase of one FTE, moved from Water. Rate revenue was estimated at $3,121,278. Capital expenditures of $9,209,880 included $320,000 for the manhole replacement program; $15,000 for the Show Low South land exchange; $500,000 for Camptown mainline realignment; $1,900,000 for Savage sewer line replacement phase 1; $250,000 for an automatic screen rake for the headworks building; $741,380 for 6th and 5th Place sewer replacement; $477,000 for 6th Street sewer trunkline improvements; $30,000 for the Bluff lift station; $23,000 for Auto Mall lift station; $15,000 for Graceland shed; $250,000 for general improvements; $200,000 for the Wastewater Master Plan; $60,000 for fence removal and realignment at the wastewater treatment plant; $3,165,000 for the Savage sewer line replacement phase II project; $100,000 for backup generators; $250,000 for the headworks building; $250,000 for the automatic screen rake Fools Hollow; $103,500 for replacement pumps for lift stations; $60,000 to purchase a four-wheel drive vehicle with plow; $70,000 to purchase a four-wheel drive vehicle with crane and plow; $60,000 to purchase a four-wheel drive vehicle with plow; $18,000 for crane for Unit 1246; $215,000 for a backhoe; $12,000 for Kuster unit replacement touch screen; $10,000 for an effluent sampler; $12,000 for an influent sampler; $18,000 for an activator gear box and plug valve; and $85,000 to purchase a four-wheel drive vehicle with plow.

Mr. Johnson said that for Wastewater Capacity/Impact Fees, staff anticipated $150,000 in revenue from fees and a fund balance of $675,597 for future projects, including $352,800 to be used for the Savage sewer line replacement project and $357,750 to be used for the West Stock SR260 reconstruction project and $1,804,050 in capacity fees used for Savage Sewer Phase II.

Discussion turned to the Debt Service Fund of $1,707,306, a .29% decrease from FY2023. The General Fund subsidy (transfer) would contribute $1,397,395. Most City debt had interest rates at or just under 3.0%. None of the debt was available for prepayment. There were only two more payments left on the water treatment plant debt. The City's debt should be paid off by 2031 if no additional debt was incurred.

Discussion moved to the Self-Insurance Fund (for medical and dental insurance) of $2,106,000, the same as FY2023. The self-insurance fund was fully funded and in good shape. The major cost drivers were insurance premiums and wellness programs.

Discussion moved to the Cemetery budget of $115,000, the same as FY2023. The major cost drivers were $70,000 for a cemetery expansion project, $20,000 for signage (carried over from FY2023), and $10,000 for cemetery markers (carried over from FY2023). Direct revenues were estimated at $45,100 with a maintenance reserve fund of $325,000, which had built up over the last few years.

Mayor Leech asked what the status of the signage was at the Cemetery. Mr. Brown said the signage was delayed because the overhead power lines needed to be moved before the signage could be installed.

Mayor Leech asked if the City had received updated bids on the Cemetery signage and if $20,000 was realistic. Mr. Johnson said staff would get an update on the signage cost and bring it to the May budget meeting.

Discussion moved to the Sanitation budget of $1,354,015, a 3.48% increase over FY2023. Rate revenue was estimated at $1,312,919 from approximately 6,071 refuse customers. The Consumer Price Index (CPI) allowed for an adjustment in monthly fees from Waste Management, which would go into effect on July 1 of each year. As of April 6, the City was still waiting for Waste Management to determine the monthly CPI and fuel increase. Staff would have updated numbers and a recommendation at the meeting on May 16.

Mayor Leech asked about the contract with Waste Management. Mr. Johnson said the Waste Management contract was in effect until June 2024. Mr. Johnson said that staff wanted to get more companies at the prebid meeting when the contract went out to bid. Mr. Brown said there was competition last time the sanitation contract went out to bid, and the City received excellent rates from Waste Management. The rates the City was paying today were the same rates the City had ten years ago.

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 FY2024 budget was $169,780, with an annual debt service payment of $151,980 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 streetlights 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 sixth 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 $11,708,605, with $9.0 million in unanticipated revenues and expenditures. This fund included a General Fund subsidy of $450,524 for a range of capital projects, including $738,115 for General Operation; $30,000 for the Court; $60,000 for the Library; $1,423,693 for Parks/Facilities Maintenance; and $456,527 for Community Services. The Council must approve any unanticipated expenses.

Discussion moved to the Administrative Services department, which included Human Resources, Information Systems, Finance, and Public Transportation. The Human Resources budget of $447,969 was an 8.02% increase over FY2023. The department had three FTEs, 78.33% for salaries and related expenses. The budget increases were attributed to the increased cost of professional and consulting services for Rapid Learning, miscellaneous leadership training, and increased employee benefits and safety costs.

Discussion turned to the Information Services budget of $750,677, a 37.69% increase over FY2023. This division had two FTEs, with 31.63% of the budget for salaries and related expenses. Other cost drivers included $97,700 for small equipment/capital; $49,000 to run conduit from City Hall to the old police building; $23,000 for file server replacement; and $70,000 for Barracuda spam/internet filter.

Mayor Leech asked what running the conduit from City Hall to the old police building involved. Mr. Johnson said the City would run fiber optic cable between the buildings, increasing speed and efficiency for daily tasks and data backup. Mr. Brown said the conduit would also enable the City to have Wi-Fi connectivity at the City Campus Gym.

Discussion moved to the Administrative Services/Finance budget of $1,267,206, a 9.95% increase over FY2023. This department had eight FTEs, with 66.37% of the budget for salaries and related expenses. Other cost drivers included $8,000 to replace office furniture, $6,500 to replace the reception desk and $50,000 for a new fleet vehicle.

Discussion turned to the Public Transportation budget of $1,131,358, an 8.46% increase from the FY2023 budget. The major cost drivers included contractual services with MV Transit and $99,935 for bus shelter replacements. The system included the Four Seasons Connection and the White Mountain Connection, with Show Low contributing $145,293, supplemented by federal grants of $706,069 and partner funding of $250,189.

Discussion then moved to the various budgets listed under Administration. The first was the City Council budget of $434,392, a 2.3 % increase over FY2023 due to the restoration of contingency reserves. The FY2024 budget included $300,000 in the Council Contingency line item, which was 69.06% of this budget.

Discussion moved to the City Manager budget of $535,359, an 8.0% decrease from FY2023, with 85.82% of the budget used for salaries and related expenses.

The decreased budget resulted from personnel change due to retirement and a reduction in event sponsorship/tourism.

Discussion turned to the City Clerk budget of $222,762, a 19.97% decrease over FY2023. This division moved the Deputy City Clerk FTE to the City Attorney budget; 71.05% was used for salaries and related expenses. The budget also included $17,100 for professional and consulting services for new agenda management software and election expenses estimated at $19,500, a decrease from $39,000 in FY2023 due to election cycles.

Discussion moved to the General Operations budget of $21,213,619, a 15.09% increase from the FY2023 budget. This budget included $7,139,757 for inter-fund transfers; $475,000 for general liability insurance; $372,793 in organizational support/community promotions; $3,676,817 for American Rescue Plan Act (ARPA) funds; $788,067 for AZ Cares funds; $6,000,000 for event/community center; and $363,732 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), $4,000 for Fishers of Men for Veterans, $2,500 for Show Low Film Festival, $2,000 for White Mountain Symphony, and $3,000 for Show Low High School Grad Night, $2,500 for the Salvation Army, $12,000 for the Arizona Alpine Trail, and $2,500 for the Living Hope Center for a total of $64,500.

Mr. Johnson said in organizational support, the FY2023 budget showed $5,000 for REAL AZ Corridor, $5,000 for White Mountain Community Garden, $38,000 for Show Low Historical Society, $20,000 for Show Low Main Street, $50,000 for White Mountain Meals on Wheels (which also managed the City's Senior Center), $146,293 for Four Season Connection (the City's match for the transit system), and $44,000 for the Show Low Chamber of Commerce for a total of $308,293.

Mr. Brown said the Alpine Trail goes from Payson to Alpine. The organization was working with the Forest Service and surrounding communities to fully develop the trail.

Mayor Leech asked if the rodeo requested community funds even though there would not be a rodeo this year. Mr. Johnson said the committee received a request for funds from the rodeo, and while the committee was aware there might not be a rodeo this year, they decided to set the funds aside for them in case there was a change in plans.

Councilman Judd asked where the pickleball court funding was coming from. Mr. Johnson said the pickleball court funding was allocated from federal funds but was going through the state. The federal funds would be awarded in October if the grant was approved.

Mr. Johnson said an overview of the tentative budget with changes to the recommended budget was scheduled for May 16. He said the adoption of the tentative budget was scheduled for June 6, and the final budget would be adopted at the June 20 meeting. The secondary property tax levy would be adopted at the July 18 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 6, 2023, AT 7:50 P.M.**

ATTEST:

Rachael Hall

Rachael Hall, City Clerk

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APPROVED:

John Leech, Jr., 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 6, 2023. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this 18th day of April, 2023.

(SEAL)

Rachael Hall

Rachael Hall, City Clerk