

MINUTES OF THE STUDY SESSION OF THE SHOW LOW CITY COUNCIL HELD ON TUESDAY, APRIL 7, 2026, AT 6:00 PM IN THE CITY COUNCIL CHAMBERS, 181 NORTH 9TH STREET, SHOW LOW, NAVAJO COUNTY, ARIZONA

1. Call to Order.

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

2. Roll Call.

COUNCIL MEMBERS PRESENT: Mayor Leech, Vice Mayor Kakavas, Councilman Adams, Councilman Clark, Councilman Hatch, Councilman Judd, and Councilman Whipple

COUNCIL MEMBERS ABSENT: None.

STAFF MEMBERS PRESENT: F. Morgan Brown, City Manager; Anna Atencio, City Attorney; Justin Johnson, Deputy City Manager; Shane Hemesath, Public Works Director; Trampas Johnston, Engineering Project Manager; and Rachael Hall, City Clerk.

GUESTS: Stefan Wehnau and Doug Roberts.

3. Discussion of Project History, Design Evolution, and Financial Considerations for the Show Low Sports and Events Center.

Mr. Brown reviewed the project history, design evolution and financial considerations for the Show Low Sports and Events Center. He said the idea for an event and recreational facility in the area was first included in the Show Low Bluff's Master Plan and zoning in 2008. An early concept for a hockey arena in the Prescott Valley area was discussed around 2008 but was abandoned due to the economic recession. He said the current project was initiated by market studies conducted in 2017 and 2018, which established demand for a convention and event facility in Show Low, providing a recommended size and a preliminary cost estimate. These initial studies did not include any sports courts; they focused solely on a convention and event facility.

Mr. Brown said the project scope expanded to include a youth sports tourism component based on industry trends and subsequent studies. In approximately 2018-2019, former City Manager Ed Muder attended an ICMA session on the growth of youth sports tourism, noting its resilience during economic downturns. This led to the decision to incorporate sports courts into the event center concept to attract youth sports tourism. He said the City then hired Sports Facilities Advisory (SFA) to conduct a market opportunity analysis, operating pro forma, conceptual design, opinion of cost, economic impact analysis, and funding support analysis for combination sports/events/convention facility, which was conducted in three phases (Phase 1 in 2019, Phase 2 in 2020 and Phase 3 in 2022). SFA

recommended six courts to compete regionally. The initial cost opinion was approximately \$27 million, which later increased to a projected cost of \$45 million in a 2024 projection. SFA projected the facility would be operationally sustainable by its third year. This early sports facility concept was smaller than the current design, lacked spectator seating/bleachers, and did not have an elevated walking track. It included medical offices and a smaller banquet area.

Mr. Brown said Supervisor Seymore suggested partnering on a dome concept that was being considered for an aquatic center in White Mountain Lakes. This group, tied to organ donation and teaching Native Americans to swim, proved difficult to engage and never committed to a partnership. During this period, Rick Crandall, who had experience with dome projects, developed a six-court dome model for the City to evaluate. He said an eight-court and six-court sports and events center was designed with a projected cost of \$34 million. He said the six-court model had more seating capacity and better overall sight lines for concerts and other events. In December 2024, the Council reviewed both the dome concept and other options and during this meeting, Councilman Clark motioned for staff to reach out to SFA to review a pro forma based on the enhanced six-court and eight-court models and report back to the Council. The motion passed unanimously with all Councilmembers present at the meeting.

Mr. Brown said during the January 21, 2025, City Council meeting, staff contacted SFA to conduct an updated pro forma on a six-court and eight-court dome design. He said SFA was unable to find a similar facility, only much smaller facilities to complete an updated pro forma. He said the Mayor and Council decided to move forward with a design-build process to design the optimal facility for the City of Show Low, regardless of construction type. He said Vice Mayor Kakavas motioned to approve selecting the conceptual design and moving forward on the design of the project, motion passed unanimously with all Councilmembers present at the meeting.

Mr. Hemesath discussed the design-build process. He said the City selected Haydon Companies through a qualifications-based procurement process for the design-build contract. Staff chose the design-build method to allow the Council to review scope and cost estimates at each phase, guiding the design toward a Guaranteed Maximum Price (GMP). An RFQ was issued in January 2025 with an initial concept budget of \$35 million, open to any construction type (monolithic dome, steel structure, etc.). He said nine firms submitted qualifications and this was narrowed down to three finalists for interviews. Haydon Companies was selected as the most qualified team and was awarded the design-build contract at the meeting on July 15. He said the Haydon team reviewed their conceptual design, encompassing 83,500 square feet, 4,500 seats, and 430 parking spaces, and an estimated 26-month timeline for design and construction. Early design workshops and public feedback led to significant scope expansion and a corresponding increase in facility size and cost.

Mr. Hemesath said during the August 5, 2025, City Council Study Session, Haydon Team presented their design. The Council discussed adding an elevated walking track, seating options, and incorporating more wood and stone finishes to ensure the design felt appropriate for the mountain location, rather than a generic urban design.

Mr. Hemesath said on September 16, 2025, an open house meeting for public input was held prior to the Special Meeting. He said staff reviewed design recommendations based on court materials, court alignment, scoreboard, walking track, meeting room size, and layout of kitchen with feedback from SFA. Staff reviewed that the added items were adding cost and scope to the project and the City might not be able to afford everything recommended. Haydon Team reviewed big-ticket items that impacted the size and scope of the project, such as an elevated walking track, 12-court volleyball court configuration (SFA recommendations), flexible seating and clearance needed for tournaments, flooring, and added concession stands/commercial kitchen. Haydon Team said due to Council, staff, and SFA requests and recommendations, the square footage had a 42% increase along with the same increase in cost. He said management of the facility for events was discussed. He said a decision was also made to move the facility's site to a larger 12-acre parcel across the street. He said during this meeting, the Council approved adding the raised walking track (an increase of approximately \$3.5 million), increasing court configuration to six basketball court/12 volleyball court (an increase of approximately \$5.9 million), installation of real wood flooring (an increase of approximately \$345,000 to \$734,000), side-mounted scoreboards (no increase), total amount of 4,500 seats, and in increased food service function (an increase of approximately \$1.8 million).

Mr. Hemesath said during the October 1, 2025, Special City Council meeting, staff reviewed seating configurations, stating the reduction in seats affected parking, restroom quantity, and building dimensions. The Council approved Alternate 1 seating configuration which included 2,800 telescopic seats, 1,500 additional floor seats, and 200 seats on the upper-level walking path.

Mr. Hemesath said during the December 9, 2025, City Council meeting, staff reported that programming for the building had been completed, incorporating all previously discussed elements. Updated renderings of the proposed facility were presented. Haydon was finalizing cost estimates following Thanksgiving and into the period just before Christmas, coordinating with their team to confirm pricing. Staff anticipated receiving finalized numbers within three to four weeks, which led to the next meeting on January 6.

Mr. Hemesath said during the January 6, 2026, City Council meeting, an updated Programming and Programming Stage Cost Estimate of \$56.4 million was reviewed. He said the budget increased due to increased building size, architectural features, kitchen equipment, design fees, specialized equipment, facility enhancements, and safety systems. He said Council expressed concerns

regarding the size of the kitchen and several Councilmembers acknowledged the risk of being short-sighted and expressed a desire to avoid cutting corners. The Design Team said they would conduct follow-up meetings to downsize the kitchen, reduce equipment cost, and potentially future-proof for later expansion. Council approved the project scope, program, and the \$56.4 million cost estimate, directing the team to proceed with the schematic design phase.

Mr. Hemesath said during the February 3, 2026, City Council meeting, an open house meeting for public input was held prior to the Special Meeting. He said the Design Team reviewed the revised Layout and Interior Design Concepts, which reduced the overall building footprint by approximately 3,000 square feet and included: reduction in kitchen, lobby/corridor area, meeting room space, and sports court (\$500,000 savings). Council approved the revised layout and interior design concepts.

Mr. Hemesath said at the March 24, 2026, City Council meeting, the Design Team provided an updated design with a cost estimated at \$57.9 million (overall increase of \$1.5 million). He said the main reasons for the increase were overall structure of the pre-engineered metal building, HVAC system, and plumbing system. The Design Team discussed wish list items to consider: swing down volleyball nets, upgraded PA System, and curtains. Councilmembers shared concerns about the cost estimate amount of \$57.9 million. Council tabled the decision and asked for cost-saving options.

Mr. Hemesath said next steps moving forward included the Design Team working to value engineer options for cost reductions. Options would be presented at the next council meeting. Options would be to reduce cost to or below the Programming Stage approved budget of \$56.4 million. Significant reduction beyond that would require reducing square footage or eliminating features that were added during the programming phase. He said the Design Team was asking the City Council for a budget for the project. He said the design team could meet any budget number provided but would present a list of cuts required to achieve it. He said the project was currently on hold, as approvals for the schematic design and budget were required to proceed to the next phases (Design Development and GMP). He said that with current market conditions, the outlook was not in the City's favor.

Mr. Johnson reviewed three financing scenarios for the event center project, based on a target cost of \$56.4 million. He said Scenario 1: Zero Cash Contribution, full remaining balance would be bonded at 4% for 20 years, resulting in a single annual payment of approximately \$3.8 million. This option was being considered primarily to manage the expenditure limitation. The City had been near this limit for the past few years. The current year's budget included \$14.3 million for the project, with approximately \$850,000 spent on design to date (out of the \$4 million design contract), leaving about \$10 million available. The recommended budget for next year included another \$10.3 million. He said creative financing strategies were being explored to maintain capital flexibility for future projects. Finance staff

suggested alternative approaches, such as issuing two separate bonds, one bond could be a traditional 20-year issue, while the second could be a shorter-term (e.g., five-year) bond that allowed for early prepayment without penalties. This strategy would allow the City to use its budgeted cash to pay off the shorter bond early over the next few years and would free up funds for other capital projects, like an aquatic center, which could potentially be paid for entirely in cash, avoiding the need for another bond issuance in three to four years. This was presented as an option, not a formal recommendation, pending final numbers from finance and the GMP for the project.

Mr. Johnson reviewed Scenario 2: \$5 Million Cash Contribution, this option still provided flexibility under the expenditure limitation and kept more cash on hand for potential future prepayments. He reviewed Scenario 3: Full Recommended Cash Contribution, which involved using the full recommended budget amount and bonding for the remaining \$42 million. This option would lower the annual payment by approximately \$800,000 and reduce total interest paid by nearly \$5 million compared to the zero-cash option.

Staff said there were two debt services being retired in July 2026, totaling \$1.58 million annually and the City had an annual Bed Tax Revenue of \$605,000, which was projected to increase. He said bond scenarios did not include Operating Costs for the facility.

Councilman Judd stated that the next discussion should focus on establishing a maximum budget ("ceiling") for the project. He said without a firm ceiling, vendors may continue adding features, causing the price to increase. He said setting a maximum price was seen as a way to hold the vendor accountable.

Vice Mayor Kakavas raised concerns about the potential need to reduce the facility's footprint if the budget was lowered below the previously approved \$56.4 million. She said a key concern from the start of the project was to avoid reducing the facility's footprint and recalled that at a prior meeting, a target of \$50 million was given, which caused concern as it was understood this would necessitate reducing the building's size. She said it felt disingenuous to direct a \$50 million target after having already approved the \$56.4 million figure, questioning if the Council fully understood the implications.

Mr. Hemesath affirmed the goal from the Council was to "build it right the first time" and the direction gathered over the last six months. He clarified that reducing the budget significantly would impact the building's structure, not just interior finishes. Councilman Hatch raised a question regarding the cost impact of reducing the level of interior finishes from a "level seven" to a "level five or four" on a ten-point scale. Mr. Hemesath stated that while reducing finishes could yield some savings, a budget reduction to \$50 million would necessitate removing square footage, impacting the building's core structure.

Councilman Adams asked Mr. Johnson about the City's financial position. Mr. Johnson said the City was in a good financial position due to a historically conservative approach to revenue projections. He said the unappropriated general fund balance was currently about \$39 million. The biggest challenge identified was the expenditure limitation, which was driving the exploration of different financing options.


Mr. Johnson expressed comfort with the City's ability to make the debt service payments (e.g., \$3.8 million, \$3.4 million, or \$3.0 million annually), based on experience with previous budgets. Mr. Johnson added that these payments did not include operating costs. The initial pro forma projected a five-year break-even period, meaning the City must be prepared to cover operating costs for the first three to five years.

Mr. Hemesath said current cost estimates were based on 30% complete design plans, which were difficult to estimate from with high accuracy. As the design progressed to 60% and then to 70-80% complete plans, the estimates would become tighter and more accurate, with fewer assumptions. The GMP would be established at the 75-80% design phase. He noted that costs would fluctuate, with potential savings in some areas and escalation in others, as the design was refined.

4. Adjournment.

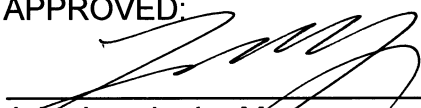
There being no further business to be brought before the Council, **MAYOR LEECH ADJOURNED THE STUDY SESSION OF THE SHOW LOW CITY COUNCIL OF APRIL 7, 2026, AT 6:28 P.M.**

ATTEST:



Rachael Hall, City Clerk

APPROVED:



John Leech, Jr., Mayor

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 April 7, 2026. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this 21st day of April, 2026.

(SEAL)



Rachael Hall, City Clerk