MINUTES OF THE STUDY SESSION OF THE SHOW LOW CITY COUNCIL HELD ON TUESDAY, JANUARY 16, 2024, AT 6:30 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 6:30 p.m.

2. Roll Call.

   COUNCIL MEMBERS PRESENT: Mayor Leech, Vice Mayor Kakavas, Councilman Adams, Councilman Allsop, Councilman Clark, Councilman Judd

   COUNCIL MEMBERS ABSENT: Councilman Hatch

   STAFF MEMBERS PRESENT: Morgan Brown, City Manager; Anna Atencio, City Attorney; Justin Johnson, Deputy City Manager; Cari Bilbie, Accounting Manager; Grace Payne, Communications Manager; Kathy Clements, Assistant City Clerk; and Rachael Hall, City Clerk.

   GUESTS: Dawn Wilson-Golden, Clair Thomas, and others.

3. Discussion of Fiscal Year 2025 Budget Process and Overview and Review of the Event Center Recommendations and Potential Financing.

   Mr. Johnson said he would be presenting the Fiscal Year 2025 budget process and overview. He said there would not be a presentation regarding the Event Center Recommendations and Potential Financing and apologized to anyone who came for that presentation.

   A copy of the Fiscal Year 2025 budget process and overview presentation was attached.

   After the presentation, Mayor Leech asked what the difference was between a cost-of-living adjustment and a merit increase. Mr. Johnson said the City has given a cost-of-living adjustment to employees for the last two years. He said cost of living adjustments adjust salaries for inflation, while merit increases are based on employee work performance.

   Mr. Brown said the Budget Town Hall meeting was scheduled for January 18 at 6:00 p.m. in Council Chambers.

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 JANUARY 16, 2024, AT 6:50 P.M.**

ATTEST: Rachael Hall

Rachael Hall

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 January 16, 2024. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this 6th day of February, 2024.

Rachael Hall

Rachael Hall

Attachment "A" to the January 16, 2024, City Council Study Session Minutes

City of Show Low, AZ

FY2025 Budget Overview
Study Session

January 16, 2024

FY 2025 Process Goals

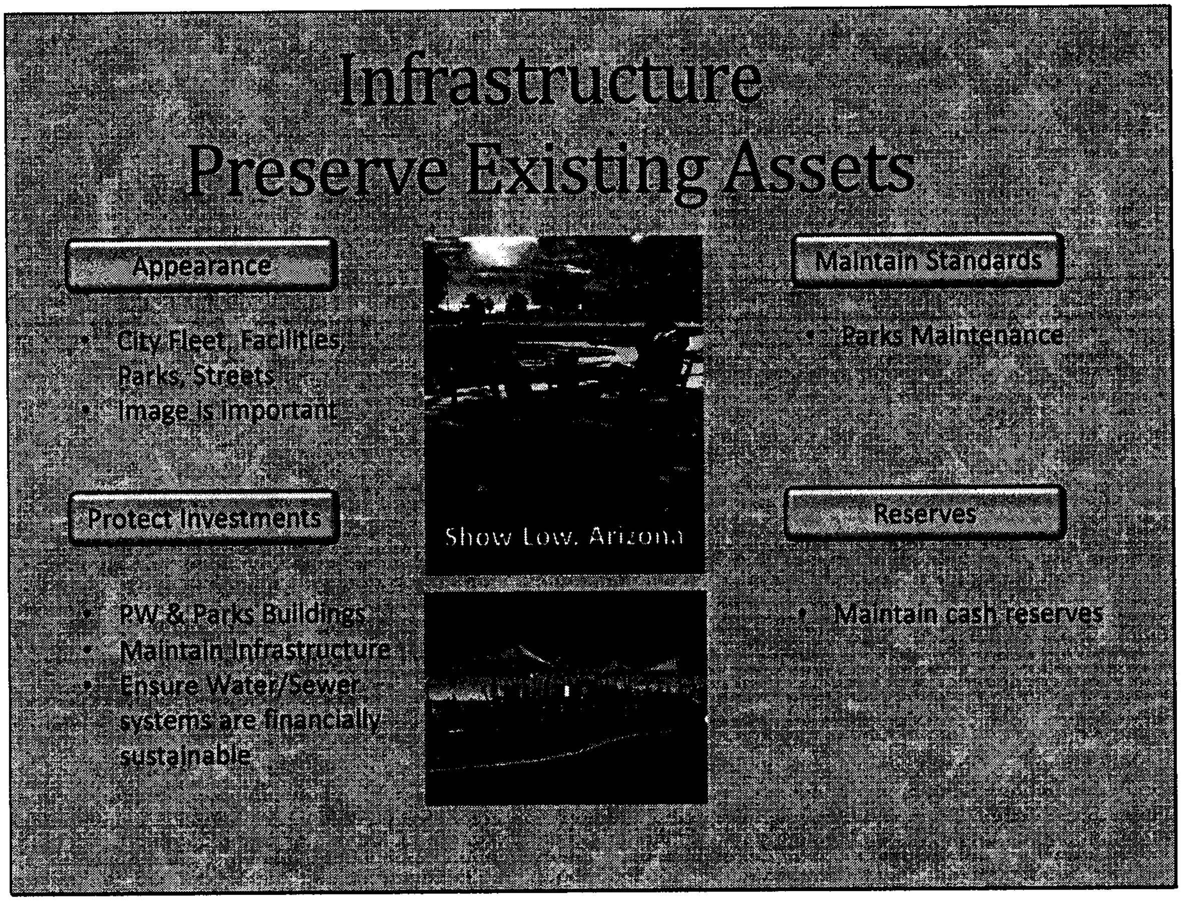
- Provide opportunities for citizen input during the budget process
- Provide a method to allocate funding throughout organization based on priorities and projected revenues
- Maintain existing levels of service
- Ensure the Council's high-priority programs continue to be funded
- Continue to provide a balanced budget

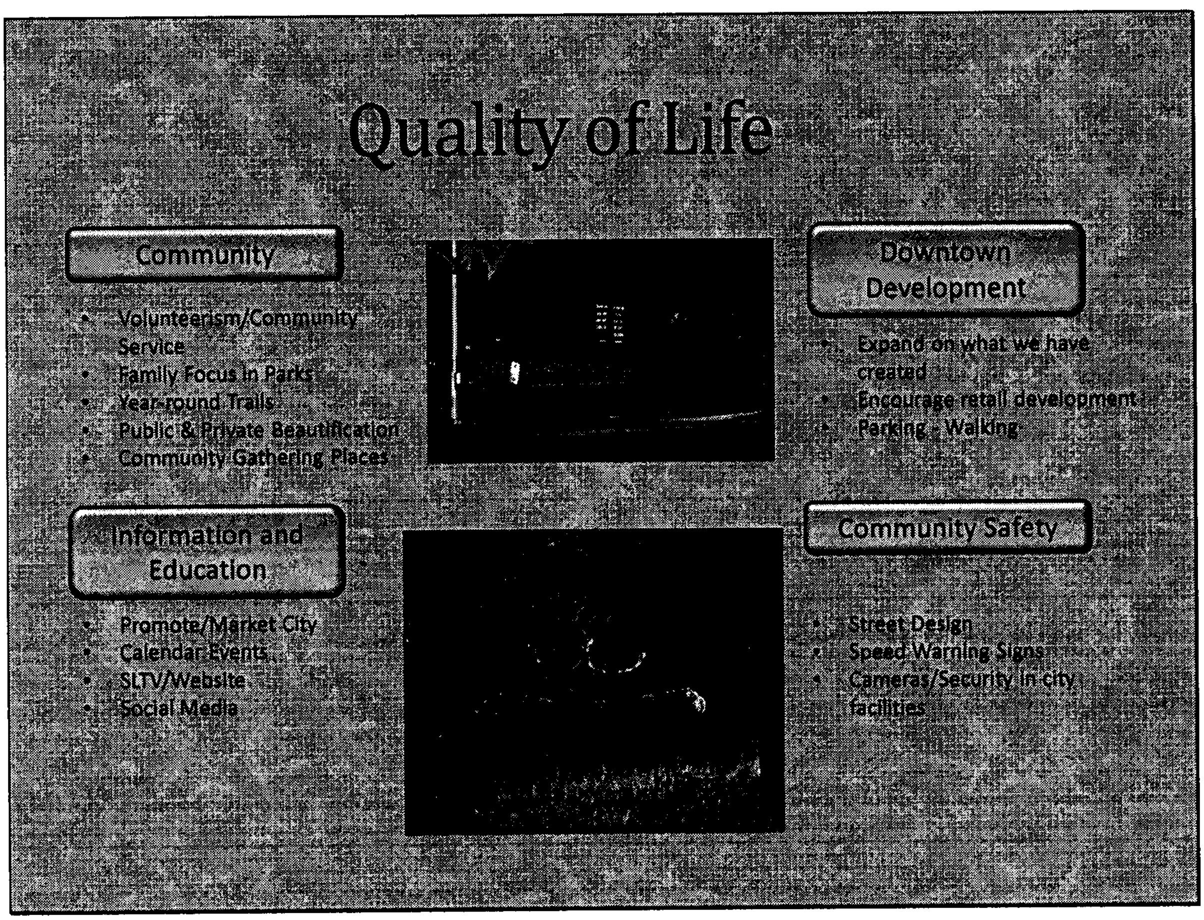
Budget Method

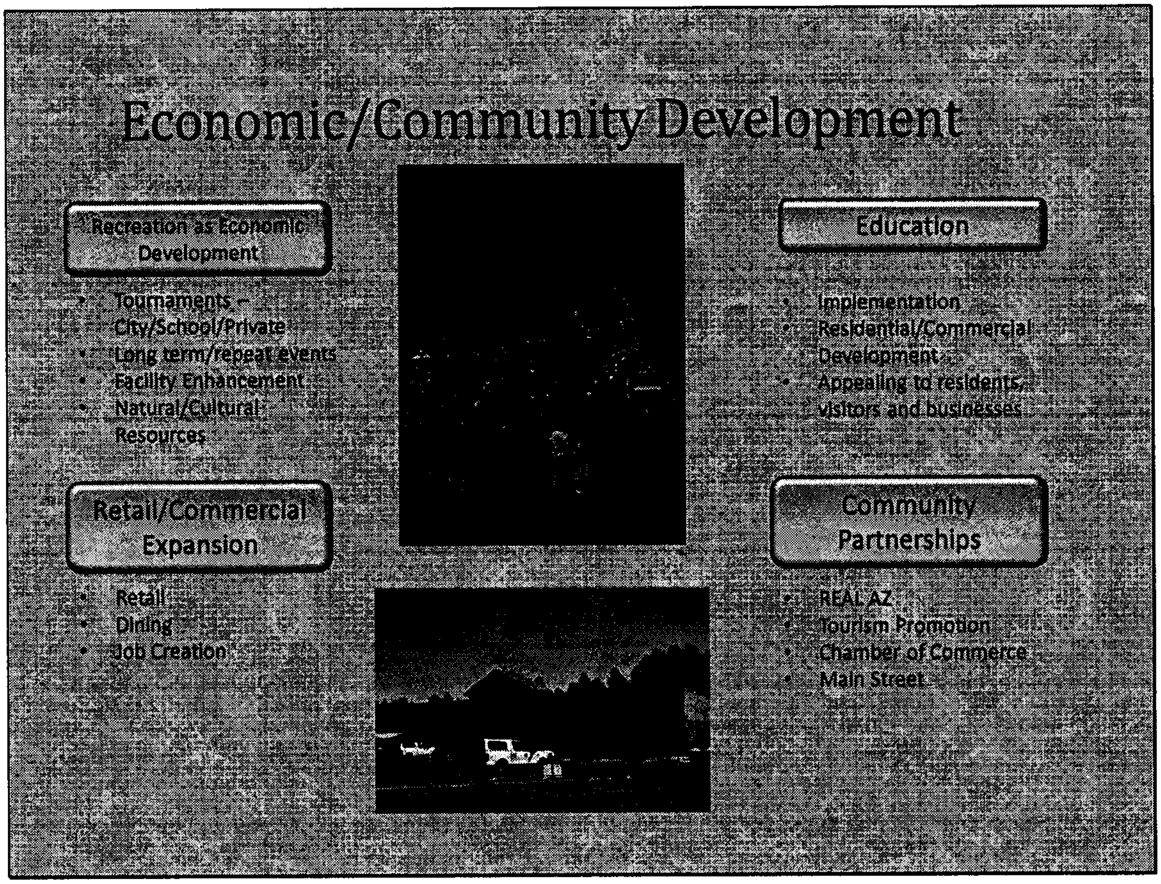
- Base Budgeting is the method wherein current budgeted expenses are the starting point
- Budget requests are prioritized based on Council Goals and what is most critical
- Justification is required for increases and other targeted accounts
- Departments will increase or decrease from their base budget by identifying:
  - Changes in priorities/uses
  - Actual Expenses
  - New, modified, or expanded programs

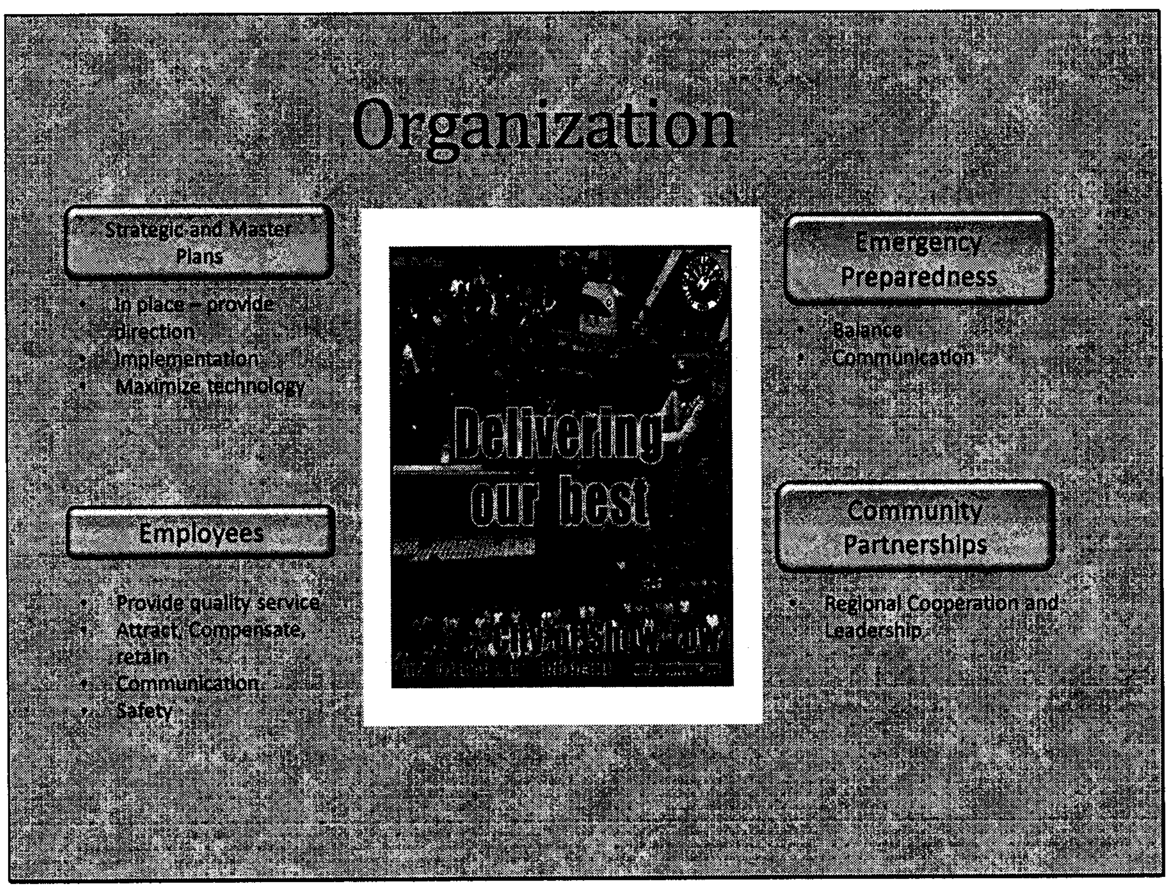
Recommended Budget

- City Manager's recommended budget will be delivered to Council on April 2, 2024
- Budget will be balanced and include:
  - Revenue detail
  - Expense line-item amounts
  - Requested and Recommended amounts
- Budget will reflect Council Goals:
  - Infrastructure – Preserve Existing Assets
  - Quality of Life
  - Economic/Community Development
  - Organization


Infrastructure
Preserve Existing Assets
Appearance
• City Fleet, Facilities, Parks, Streets
• Image is important
Maintain Standards
• Parks Maintenance
Show Low, Arizona
Protect Investments
• PW & Parks Buildings
• Maintain Infrastructure
• Ensure Water/Sewer systems are financially sustainable
Reserves
• Maintain cash reserves


Quality of Life
Community
• Volunteerism/Community Service
• Family Focus in Parks
• Year-round Trails
• Public & Private Beautification
• Community Gathering Places
Downtown Development
• Expand on what we have created
• Encourage retail development
• Parking - Walking
Information and Education
• Promote/Market City
• Calendar Events
• SLTV/Website
• Social Media
Community Safety
• Street Design
• Speed Warning Signs
• Cameras/Security in city facilities

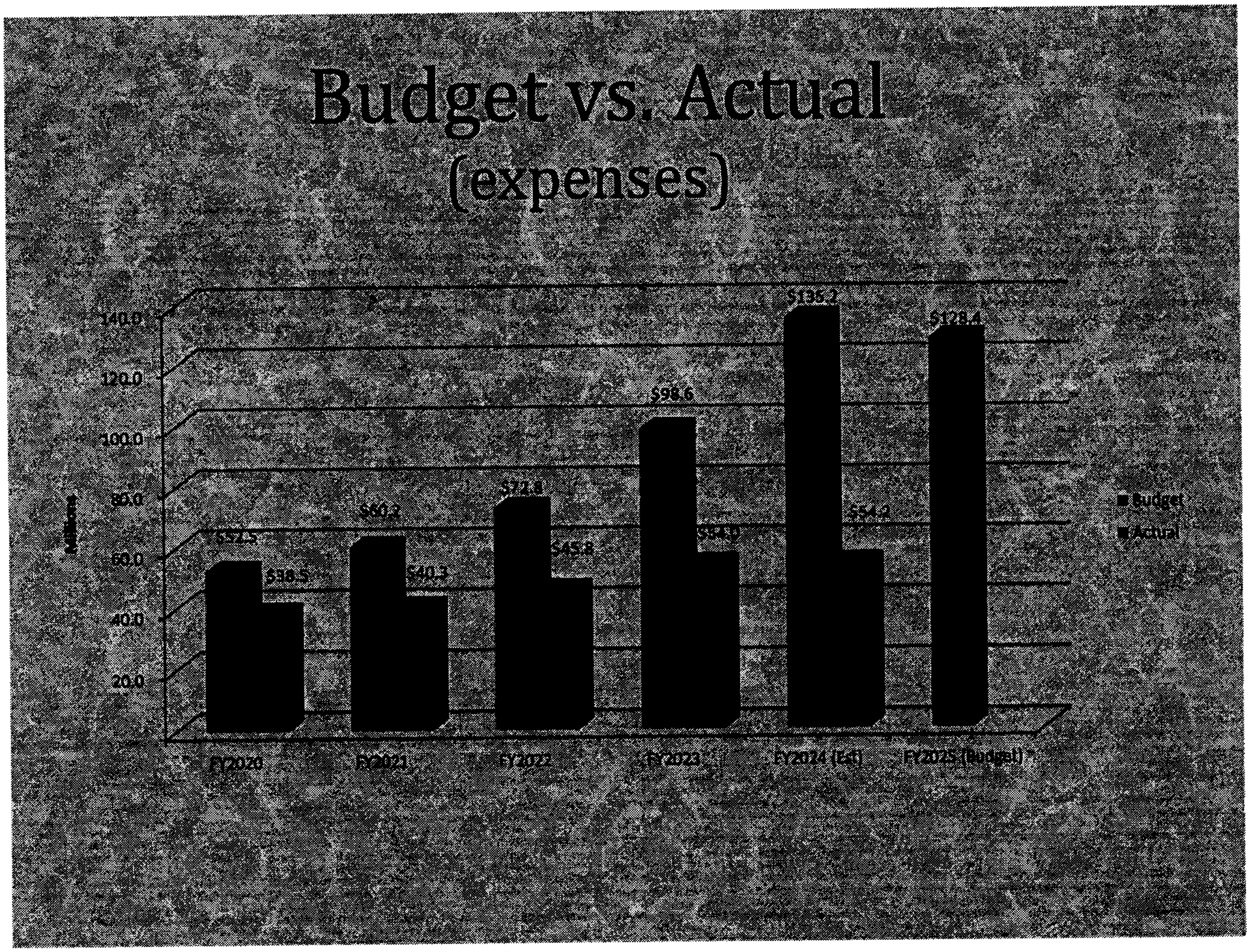

Economic/Community Development
Recreation as Economic Development
• Tournaments – City/School/Private
• Long term/repeat events
• Facility Enhancement
• Natural/Cultural Resources
Retail/Commercial Expansion
• Retail
• Dining
• Job Creation
Education
• Implementation
• Residential/Commercial Development
• Appealing to residents, visitors and businesses
Community Partnerships
• REAL AZ
• Tourism Promotion
• Chamber of Commerce
• Main Street


Organization
Strategic and Master Plans
• In place – provide direction
• Implementation
• Maximize technology
Employees
• Provide quality service
• Attract, Compensate, retain
• Communication
• Safety
Delivering our best
Emergency Preparedness
• Balance
• Communication
Community Partnerships
• Regional Cooperation and Leadership

Economic Overview

- Arizona's economy is forecasted to grow by 1.6% in 2024, roughly in line with the forecast for 1.4% national economic growth.
- Arizona job growth expected to slow as past interest rate increases reduce national gains.
- Overall outlook – Arizona is well positioned to grow this year but at a reduced pace.
- US inflation improves
  - Annual inflation rate was 3.1% for the 12 months ending November 2023 compared to 7.1% in November 2022
  - Growth likely to slow in 2024 as infrastructure spend out stabilizes, pushing the FED 2% target to be achieved at the end of 2024
- Staff will continue to monitor and budget accordingly

Source:
The University of Arizona: Eller College of Management https://eller.arizona.edu/departments-research/centers-labs/economic-business-research/arizona-economic-outlook
https://www.usinflationcalculator.com/inflation/current-inflation-rates/
https://www.conference-board.org/research/us-forecast



General Fund $50,650,891 to 47,370,422 (Includes carryovers for ARPA Funds $3.6m, Event Center $6.0 m, Large Hangar/Taxiway $800,000)

HURF $41,577,101 to $40,937,101(includes carryovers for Scott Ranch Rd $25.0m, Fawnbrook/Wht Mtn Vacation Village $1.9m, Thornton Low Water Crossing $2.87m)

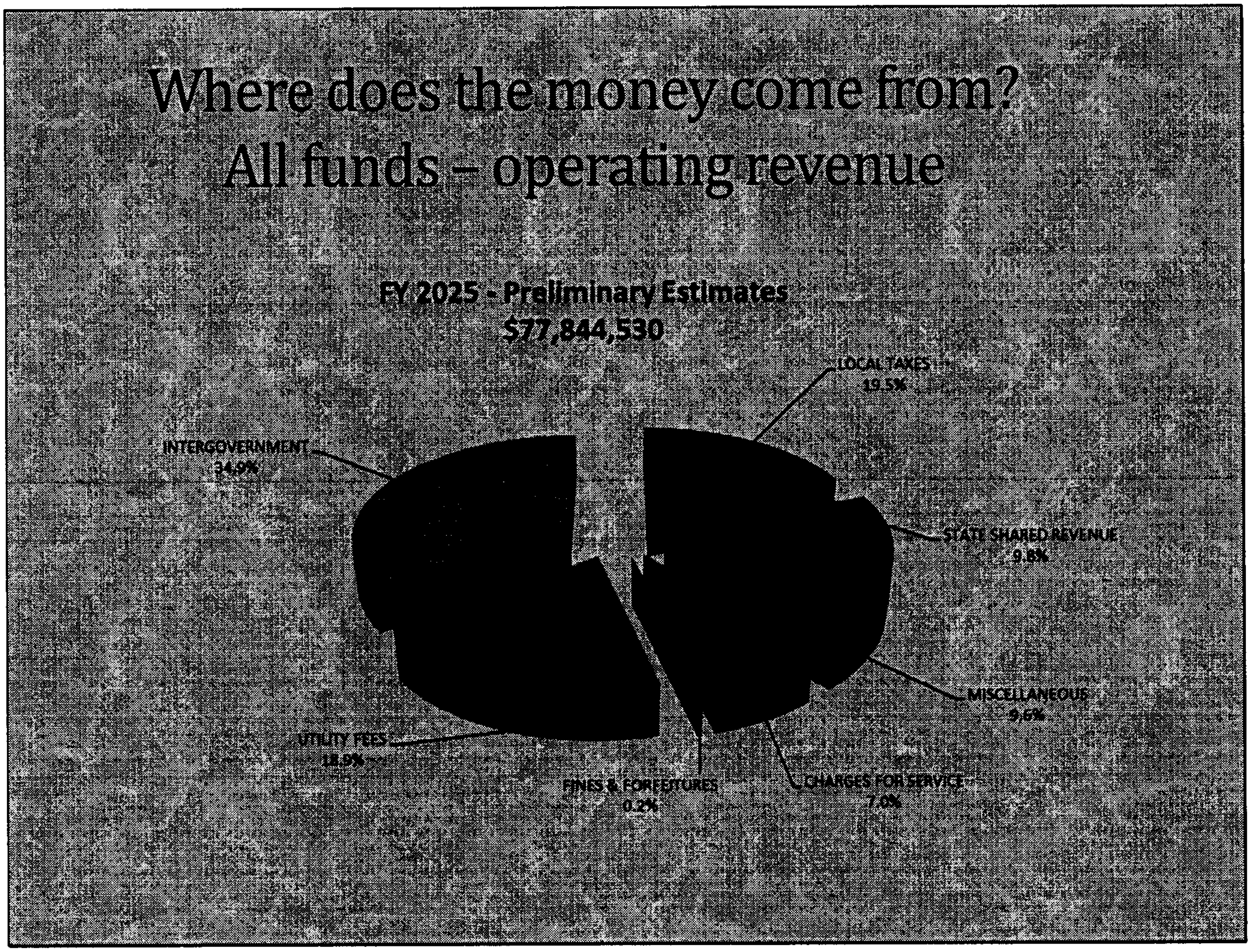
Grants Fund $11,498,500 to $10,776,777 (includes $9.0m in unanticipated)

Wastewater $9,179,880 to $8,486,271 (Includes carryovers for Savage Phase I and II $5.0 and other capital carryovers that total $3.4m)

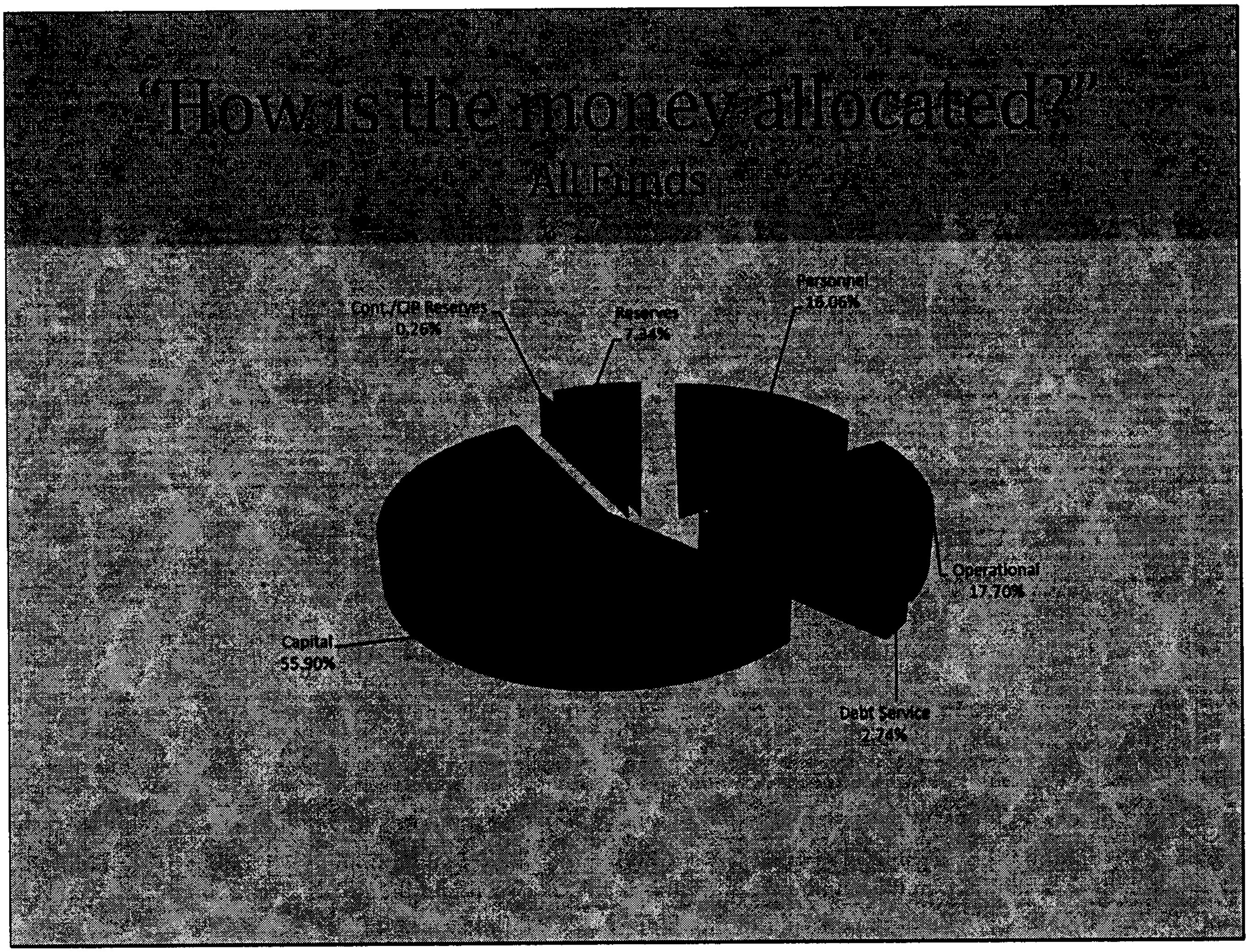
Water $8,487,293 to $7,052,931 (FY2024 carry overs)

There is $60,204,000 in CIP for FY2024 from the 5-year CIP Plan not included (which includes $45m for event center)

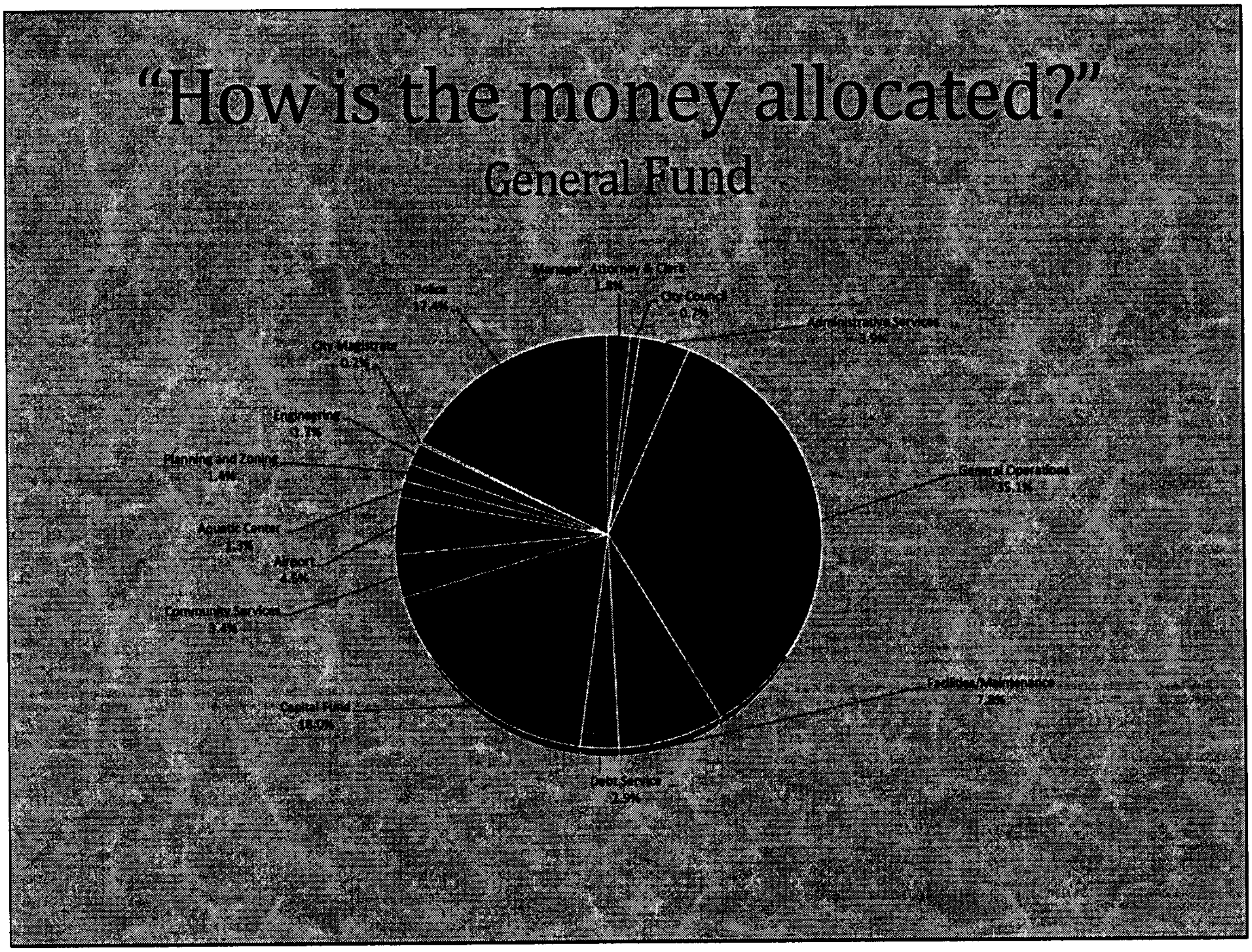
These carryovers are the known carryovers. There could be more. FY2025 new CIP is not included.



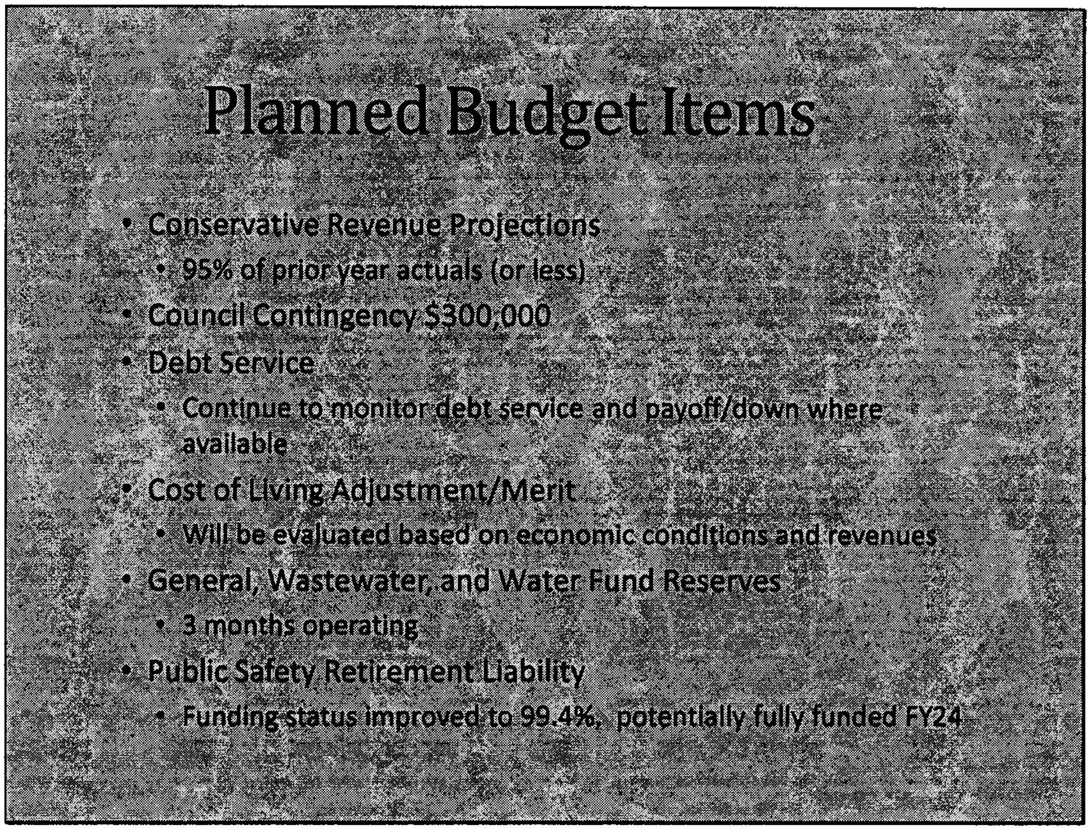
Preliminary estimates greater than FY2024 estimates to due Scott Ranch Road ($24.2m), ARPA revenue being deferred to FY2025 ($3.8m), Airport grant revenue being deferred to FY2024 ($1.33m), Streets Congressional Funding FY2024 ($5.7m), Wastewater bond revenue deferred to FY2024 ($1.6m), Wastewater Congressional Funding for Savage (3.3m) Deferring revenue due to projects not being completed and unable to submit for reimbursement – state estimates not received as of January 2024.



Not all capital included in FY24/25 preliminary budget.



Not all capital included in FY22/23 Recommended Budget.



Operating Reserves increased to 3 months of reserves based on recommendation of League of AZ Cities and Towns in FY21.