MINUTES OF THE STUDY SESSION OF THE SHOW LOW CITY COUNCIL HELD ON TUESDAY, APRIL 2, 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 6:31 p.m.

2. Roll Call.

   COUNCIL MEMBERS PRESENT: Mayor Leech, Vice Mayor Kakavas, Councilman Adams, Councilman Judd, Brandt Clark arrived at 6:32 p.m., Councilman Hatch arrived at 6:46 p.m.

   COUNCIL MEMBERS ABSENT: None.

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

   GUESTS: Mike Allsop, Dawn Wilson-Golden, and others.

3. Discussion of Draft Recommended Budget for Fiscal Year Ending June 30, 2025.

   Mr. Johnson said he would present the draft recommended budget for the fiscal year ending June 30, 2025.

   A copy of the Fiscal Year 2025 recommended budget presentation was attached to the minutes.

   Vice Mayor Kakavas asked about the net cost of the Arizona State Retirement System (ASRS) when the hours were increased for the part-time Public Information staff. Mr. Johnson said he did not have the exact number available but could provide it later.

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 2, 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 April 2, 2024. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this 16th day of April, 2024.

Rachael Hall

Rachael Hall

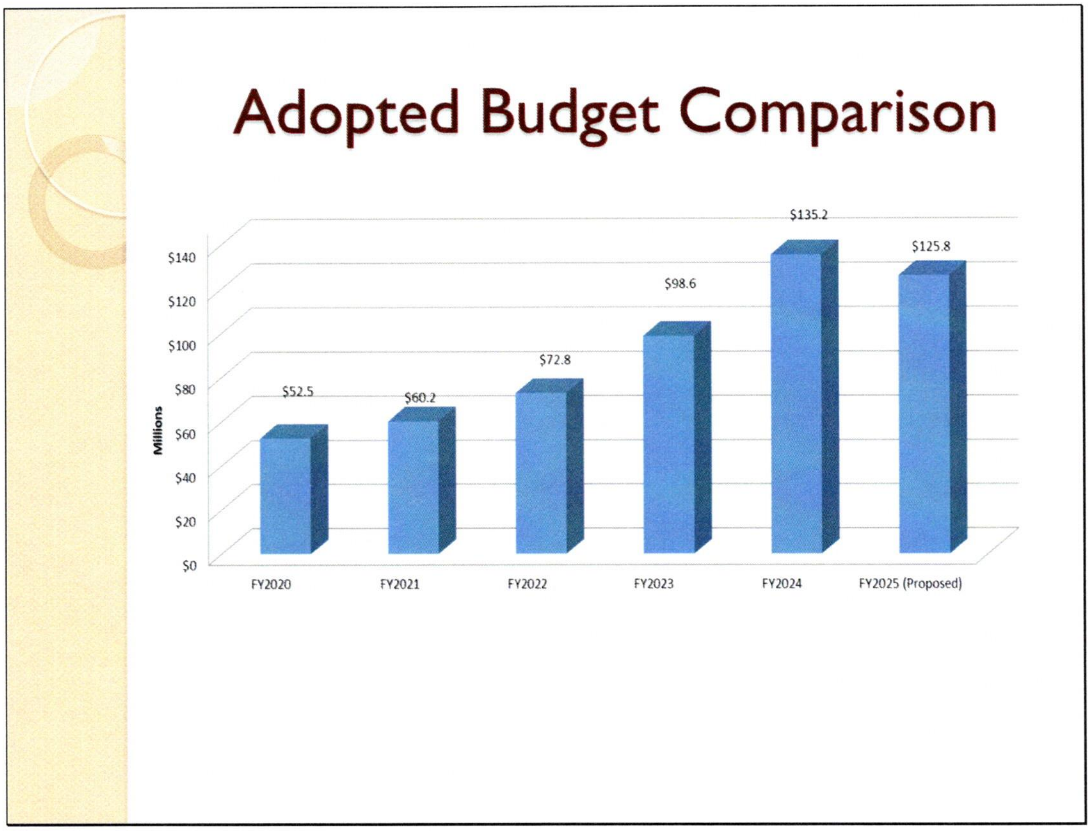
City of Show Low, AZ

FY2025 Recommended Budget
$125,790,648

April 2, 2024 – Budget Study Session

Budget Workshops

- **April 2 – Study Session**
  - **Pages 3-10 of budget document**
- April 4 – Budget Review
  - All Departments
- April 18 – Budget Review (as needed)
- April 25 – Budget Review (as needed)
- May 21 – Overview of tentative budget



FY2025 Recommended Budget includes $15.3 million in specific expenses resulting in higher increase over FY2024 budget.
Capital carry-overs from FY2023.

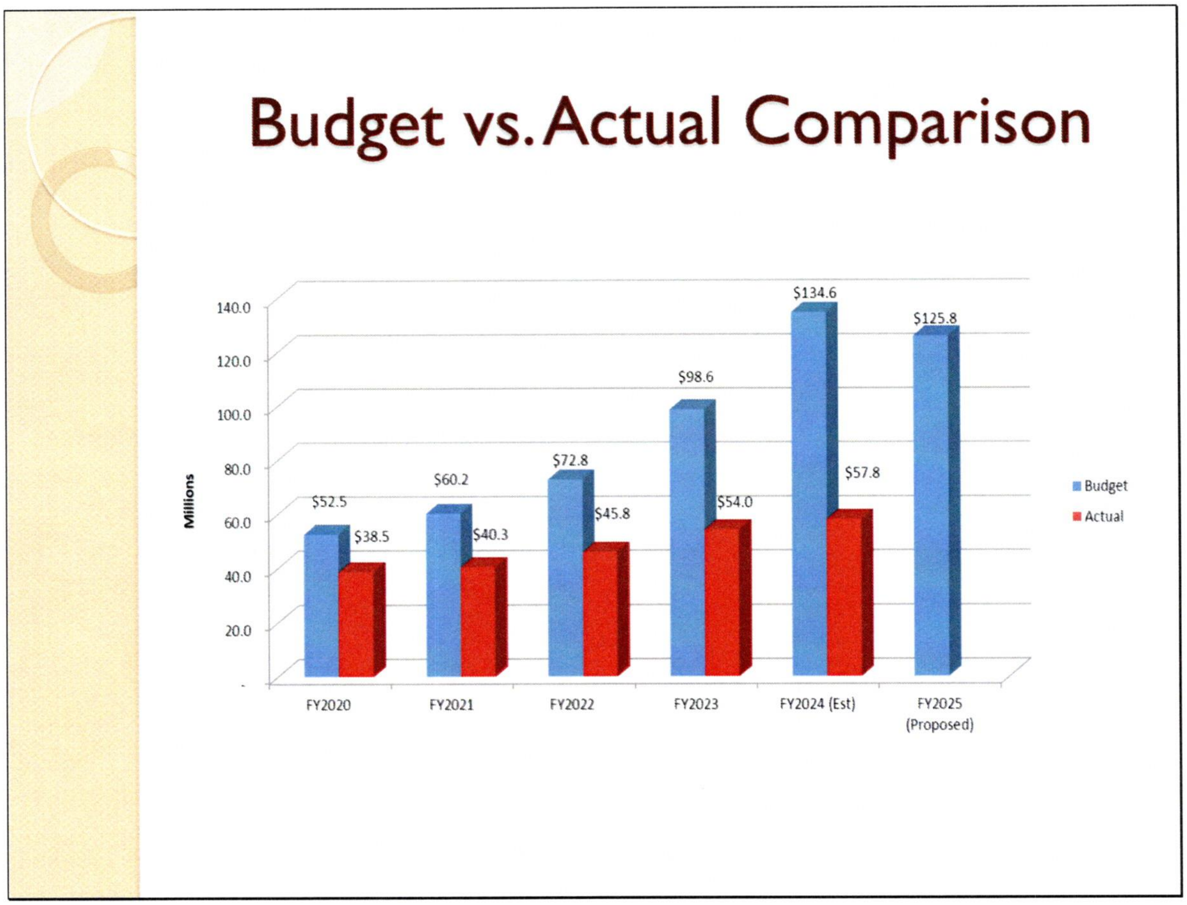
- $13.0 million for Event/Community Center
- $2.3 million carried over in Wastewater for Bond projects ($4.75 million in Bonds)

Large Capital for FY2025

- Scott Ranch Road $27.2 million ($27.2 grant/767,150 from Navajo County in offsetting revenue) – Actual Project Cost $28.0 million

Without these items, budget would be around $83,223,498 million.

FY2023 Budget without transfers $90,273,842
FY2024 Budget without transfers and Scott Ranch Rd $96,552,724
6.96% increase over FY2023
FY2025 Budget without transfers, Scott Ranch Rd, and Event Center $90,052,978
6.73$ decrease over FY2024.



-7.13% decrease over FY2024 – Decrease due to completed bond projects in Streets ($2.2 million), Reduction in Grants ($718,599), Reduction in Wastewater Capital (5.4 million), Reduction in Water Capital ($825,525)

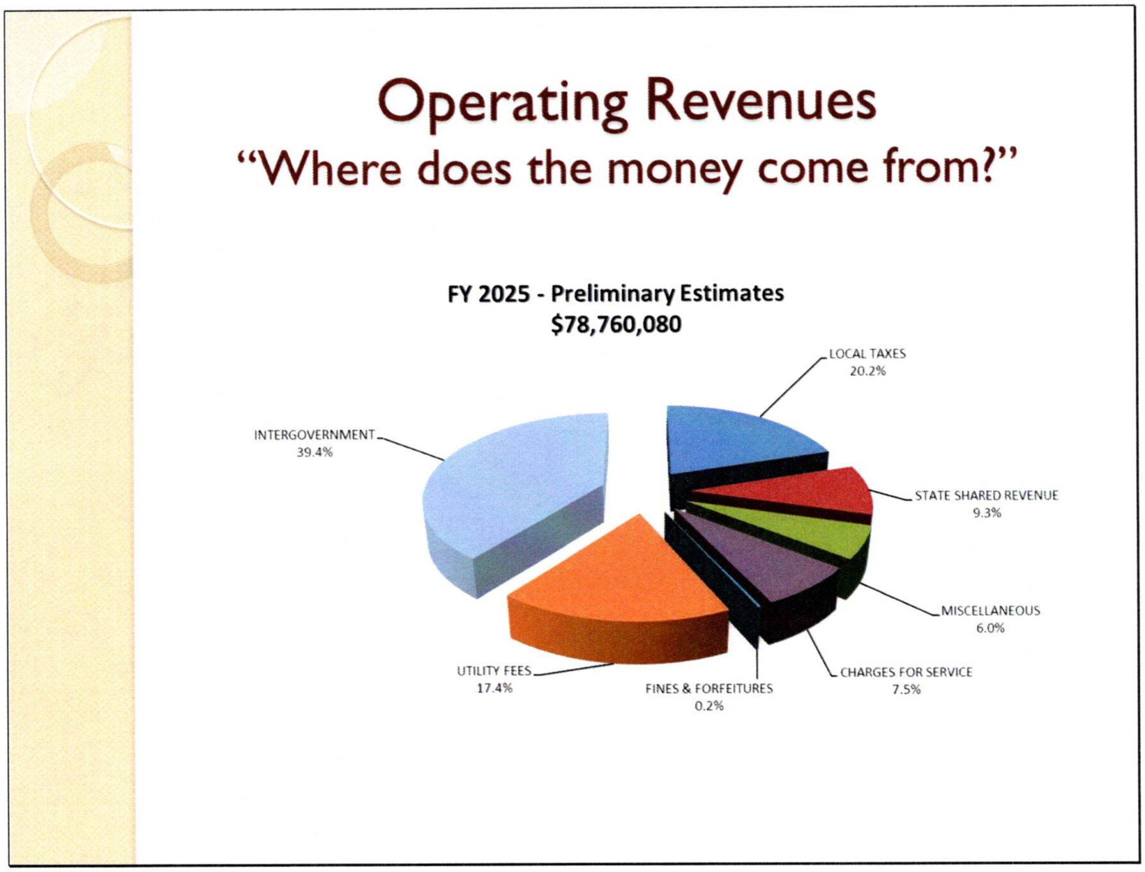
Community Event Center increases from $6.0 million to $13.0 million in FY2025.

Congressional Funding applied for 2 Streets (Fawnbrook Realignment and Thornton Low Water Crossing) and 1 Wastewater (Savage Phase II) – Did not receive funding – Part of capital reduction is due to these two projects not being funded ($4.78 million)

Operating Revenues

- Beginning Balance - $52,975,134
  - Savings from prior years
  - Includes reserves
- Other Financing Sources - $7,500,000
  - Unanticipated (budget authority)
- Inter-Fund Transfers - $7,170,520
- Operating Revenues - $78,760,080
  - Revenue that will be collected or earned during the year

Reduced Unanticipated Expenditures/Revenue from $9.0 million to $7.5 million



Miscellaneous Revenue includes donations, interest earned on investments, late fees, proceeds from debt.

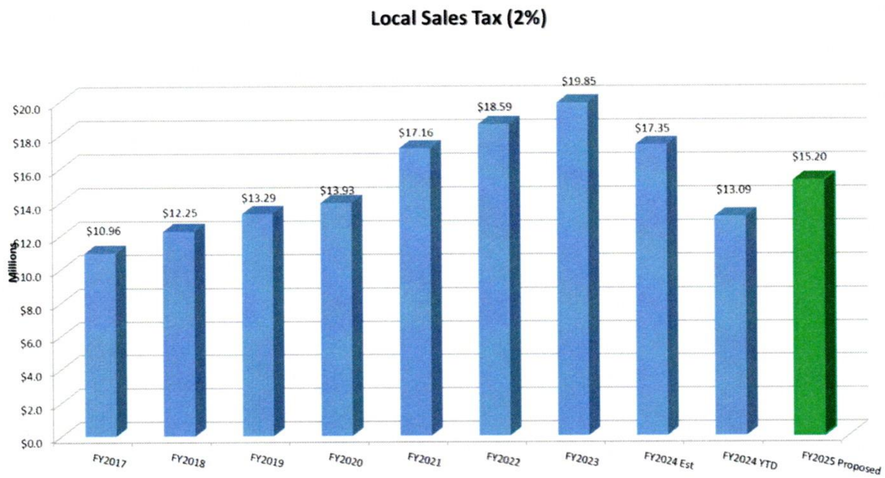
Preliminary State Shared estimates have not been received.

Utility Fees - $10.5 Million

- Water ($5.2 million)
- Wastewater ($3.5 million)
  - Water and wastewater rates increase January 1 to reflect the CPI adjustment for the current year.
- Sanitation ($1.8 million)
  - Sanitation rate CPI adjustment is July 1

Annual CPI Rate for January 2024 was 5.25%.
Annual CPI Rate for January 2023 was 7.85% - only increased Wastewater 3.0% - no increase to Water per Council approval.
Annual CPI Rate for January 2022 was 3.22%.
Annual CPI Rate for January 2021 was 2.1%.
Annual CPI Rate for January 2020 was 3.29%.

Local Sales Tax - $15.2 Million



17.15% ahead of the same period in FY23. $652,562 (through February 2023)

State-Shared Revenues

- State Estimated Population (12,242)
- Programmed at 95% of the preliminary estimates from the State of Arizona

	State Estimate FY2025	City Budget FY2025	95% Difference
Sales	1,801,501	1,711,426	90,075
Income	2,589,272	2,459,808	129,464
VLT	1,102,724	1,047,588	55,136
HURF	2,201,062	2,091,009	110,053
	7,694,559	7,309,831	384,728

Estimated State-Shared Revenues for FY2025 have not been received.
Proposed Budget the same as FY2024
Received Preliminary Urban Revenue – Projected to be $605,466 less than FY2024 revenues for FY2025.

Inter-Governmental - $31.0 Million

- Grant revenue
  - Major crimes apprehension team (MCAT)
  - School Resource Officer (SRO) – 4 officers
  - Qualified Energy Conservation Bond (QECB)
  - Prop 207 Grant Funds
  - Healthy Forest Initiative
  - AZ State Parks (pickleball courts)
  - Airport grants
  - Library grants
  - Transit 5311grant
  - Scott Ranch Road ($27.2 million)
  - Reidhead House
  - Tim McKay Park
  - New grants will come before council upon award

Library Grants – Budgeted $60k for miscellaneous grants in FY2025

Police Grants include $439k over 5 years for a Police Analyst and other small grants.

GITEM Grant – established in mid-year FY2016 – Discontinued Grant for FY2025

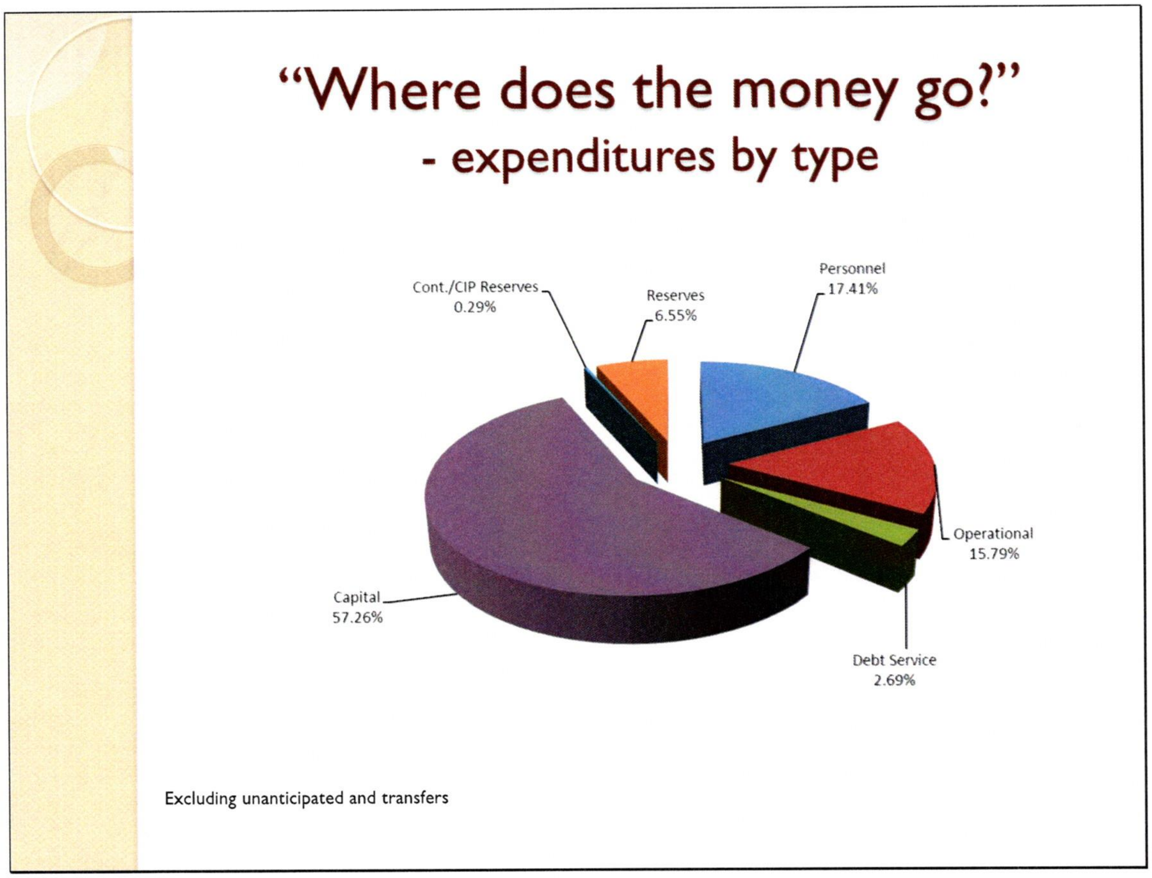
QECB is a Federal Intergovernmental Revenue account (rebate)

Airport – Budgeted for a few grants in FY2025 (EA to Construct RWY 2/20 & Taxiway D Design ($95k), Construct 2 Large Helicopter Pads ($600k), Replace PAPI/REIL ($216k), Replace Directional Signs RWY 7/25 ($189k)

Scott Ranch BUILD grant ($28 million exp/$26.4 grant and $767,500 from County)

Congressional Funding - $2.06 Million

- Woolford Road
  - Awarded $1,269,000
  - Project Cost $2.6 million
- Savage Sewer Phase I
  - Awarded $800,000
  - Project Cost $1.5 million



Reserves (6.55%) is for unbudgeted operating reserves.
Water Treatment Plant ($2.5 million) is in unbudgeted reserves.
General Fund, Wastewater, and Water have full 3-month operating reserves.

Personnel - $20,214,782

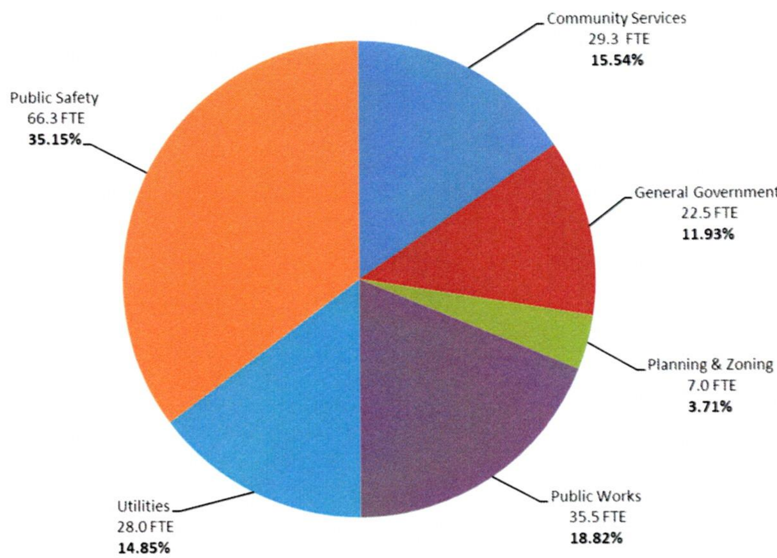
188.6 FTE's

- Increase of $1,448,988
  - Increase of 6.9 FTE's:
    - Library – Increases 0.2 (Reduce 2 part-time pages for 3 months, Increase 1 part-time Page year-round
    - Parks Facilities/Maintenance – Increase 2 FTE (1 FTE – Custodian; 1 FTE – Maintenance Tech)
    - Engineering – Reduce 0.5 FTE (Right-of-Way Part-time)
    - Police – Increase 2 FTE (1 FTE – Community Action Officer; 1 FTE – Police Officer)
    - Recreation – Increase 2 FTE (1 FTE – Assistant Aquatics Manager; 1 FTE – Recreation Coordinator)
    - Public Information – Reduce 0.3 FTE (Reduce part-time staff, Increase part-time staff with ASRS Benefit)
    - Community Services Administration – Increase 0.5 FTE (Grants Manager to full-time)
    - Airport – Increase 1 FTE (Lineman)
  - Merit and lump sum depending on revenues
  - ASRS
    - 12.27% Employer/Employee (Decrease from 12.29% in FY24)
  - PSPRS
    - 3-tiered contribution plan – Tier 1, 2, & 3 budgeted at 20.0% (down from 30% in FY2024)

Funded Status improved from 97.8% to 99.4%, $145,275 unfunded as of June 30, 2023, compared to $2.45 million unfunded as of June 30, 2021

Personnel Increase:
$731,356 of $1,448,988 is for Merit and one-time pays throughout the year.
$433,035 of $1,448,988 is for PTO payouts, which include 100% payout for retirement eligible employees.
$284,597 of $1,448,988 is new FTE's.

Personnel
by Service Area



Capital/Contingencies - $68.4 Million

General Operations	$	14,876,482
Community Services	$	295,000
Administrative Services	$	71,000
Police	$	1,110,561
Streets/Engineering	$	36,407,452
Public Transportation	$	99,935
Parks/Facilities Maintenance	$	6,227,270
Airport	$	1,312,338
Wastewater	$	3,793,050
Water	$	3,899,377
Council Contingencies	$	350,000
	$	68,442,465

$350K in Contingencies (Council)
Known project carry-overs from FY2024 are included in totals.
General Operations includes: $13.0 million for Event/Community Center
Police Includes: $660k in carry overs.
Airport includes: $678k in carry overs.
Streets Includes: $4.9 million in carry overs plus $27 million for Scott Ranch Road
Parks/Facilities includes: $3.5 million in carry overs.
Wastewater includes: $3.2 million in carry overs.
Water includes: $993k in carry overs.

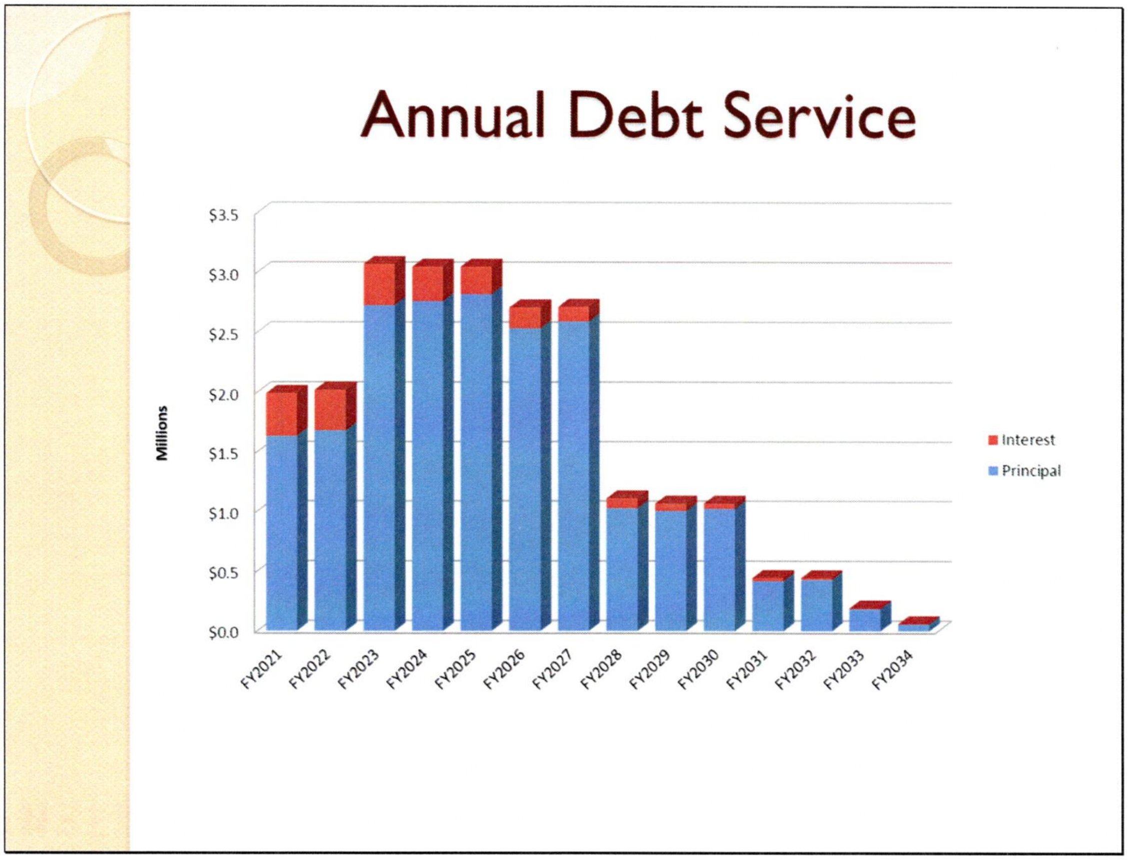
Reserves - $8.9 Million

- Operating Reserves

Fund	Operating Reserve Goal	FY2025 Set-aside
General Fund	$ 3,996,256	$ 3,996,256
Water Operations	$ 777,195	$ 777,195
Wastewater Operations	$ 514,052	$ 514,092

  - Based on 3 months of Operational Revenue
  - General Fund includes $1.0 million voter required reserve
- Water Treatment Plant Reserve
  - $2,500,000

Water Treatment Plant Reserve – increase from $1.9 million in FY2022 to $2.1million in FY2023 to $2.3 million in FY2024 to $2.5 million in FY2025



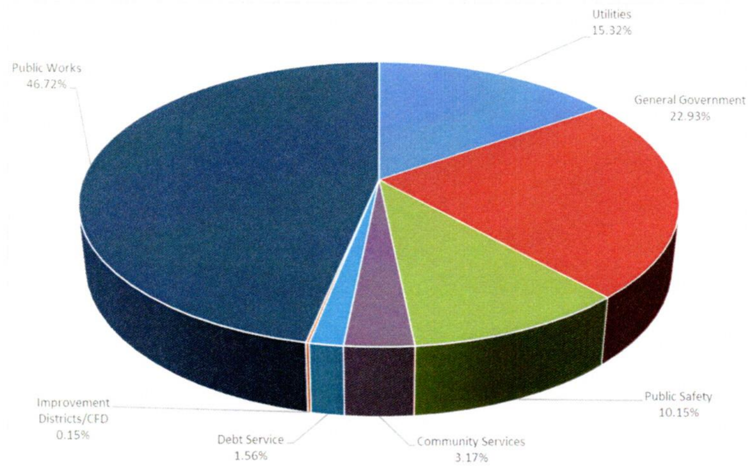
Debt Service includes both principal and interest payments and does NOT include Show Low Bluff CFD.

Included Revenue Tax Obligation 2021 ($2.1 million; 0.99%; 5 years) and Revenue Tax Obligation Second Series 2021 ($4.7 million; 1.2%; 8 years)

FY26 decreases due to final payment for WWTP in FY2025

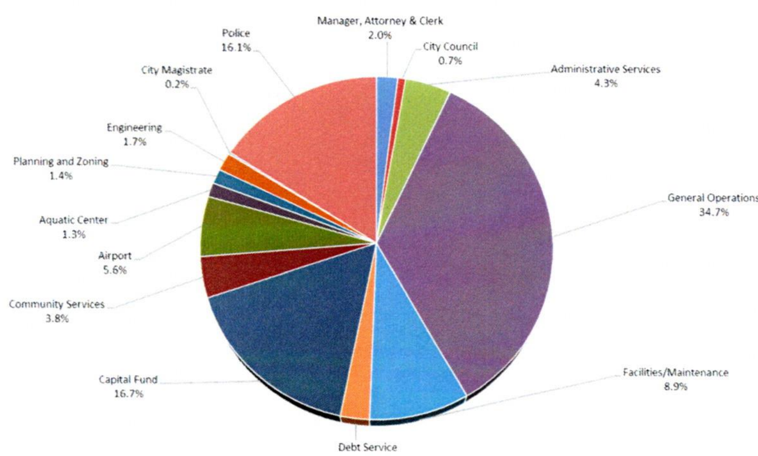
FY28 decreases due to final payment for Public Safety Building, GADA Refinancing, and Excise Tax Rev Obligation 2021 (Streets) in FY27

"Where does the money go?"
- expenditures by service area



Excluding self-insured medical, unanticipated and transfers

"Where does the money go?"
- General Fund expenditures by department



What's Next

- Town Hall/Budget Workshops
  - Department presentations/discussion (April 4)
- Changes to Recommended (May 21)
- Tentative Budget Adoption (June 4)
  - Council modifications
  - Majority of carryovers
- Final Budget Adoption (June 18)
- Secondary Property Tax Levy (July 16)

Town Hall/Budget Workshop – April 18th and 25th if needed.