

MINUTES OF THE STUDY SESSION OF THE SHOW LOW CITY COUNCIL HELD ON TUESDAY, APRIL 1, 2025, 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, Councilman Adams, Councilman Clark, Councilman Hatch, Councilman Judd, and Councilman Whipple.

COUNCIL MEMBERS ABSENT: Vice Mayor Kakavas.

STAFF MEMBERS PRESENT: F. Morgan Brown, City Manager; Anna Atencio, City Attorney; Justin Johnson, Deputy City Manager; Mischa Steinbrecher, Finance Manager; Bill Kopp, Public Works Director; Jay Brimhall, Community Services Director; Jeff McNeil, Police Commander; and Rachael Hall, City Clerk.

GUESTS: Cari Bilbie.

3. Discussion of Draft Recommended Budget for Fiscal Year Ending June 30, 2026.

Mr. Johnson said he would present the draft recommended budget for the fiscal year ending June 30, 2026.

A copy of the Fiscal Year 2026 recommended budget presentation was attached to the minutes.

Councilman Clark asked about the timelines for the City's larger projects to better understand when those projects would hit the City's budget. He also asked Mr. Johnson to provide background information regarding the Arizona Public Safety Personnel Retirement System (PSPRS) and the importance of funding the system.

Mr. Johnson said the City had applied for the SMART Grant to help with the design of the Scott Ranch Road project and said staff was still waiting for information to determine when the project might proceed.

Mr. Kopp said the work on remodeling the recreation building started this week and would carry over until August or September. He said that staff was still waiting for pricing information for the public works building and would bring the construction contract to the City Council for approval. He thought the public works building project would take about 16 months to build.

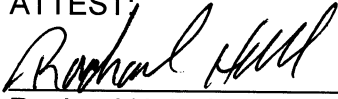
Mr. Johnson provided a brief background on the PSPRS and said that, as of 2015-2016, the PSPRS was only about 50% funded. He said cities and towns had to find ways to budget and fund the deficit. He said that the City of Show Low began making one-time payments each year to fund the deficit, and as of FY2024, the City of Show Low's PSPRS pension plan had a 100% funded status. He said the City would

continue to pre-pay the full annual amount each July and pay higher than the recommended contribution rate to stay ahead of any deficit for the City.

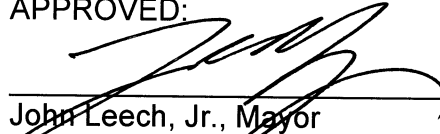
4. Adjournment.

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 1, 2025, AT 6:54 P.M.**

ATTEST:


Rachael Hall, City Clerk

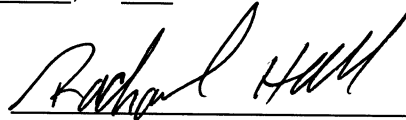
APPROVED:


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 1, 2025. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this 15th day of April, 2025.


Rachael Hall, City Clerk

City of Show Low, AZ

FY2026 Recommended Budget

\$135,802,661

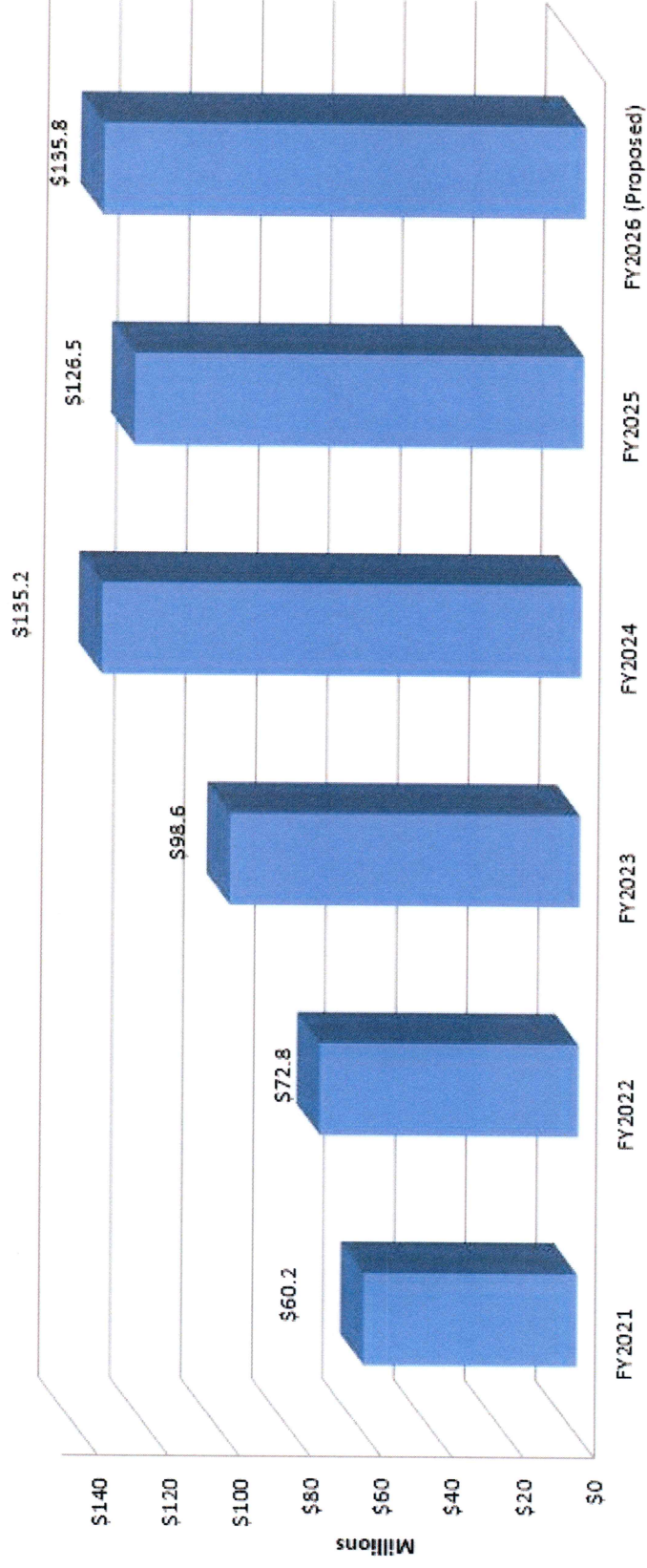


April 1, 2025 – Budget Study Session

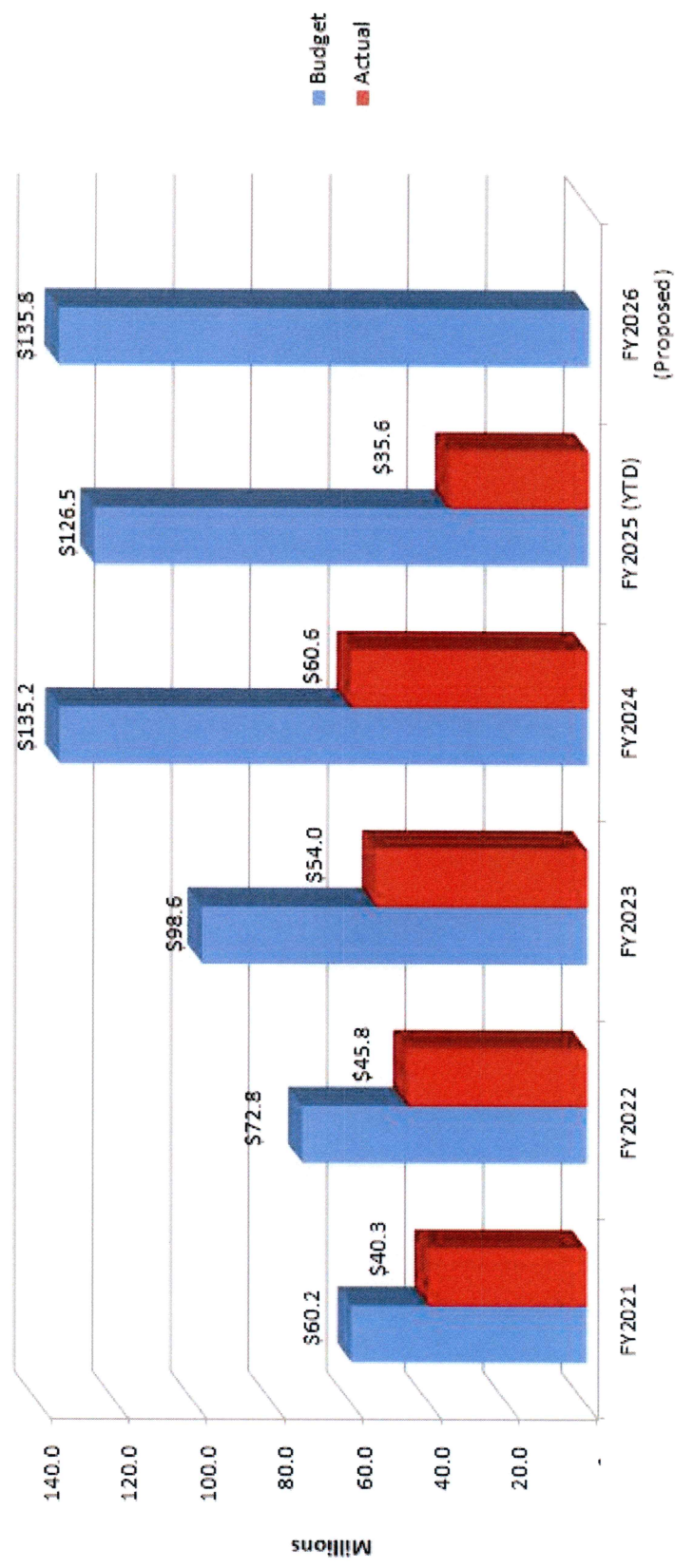
Budget Workshops

- **April 1 – Study Session**
 - **Pages 3-10 of budget document**
- **April 3 – Budget Review**
 - **All Departments**
- **April 17 – Budget Review (as needed)**
- **April 24 – Budget Review (as needed)**
- **May 20 – Overview of tentative budget**

Adopted Budget Comparison



Budget vs. Actual Comparison



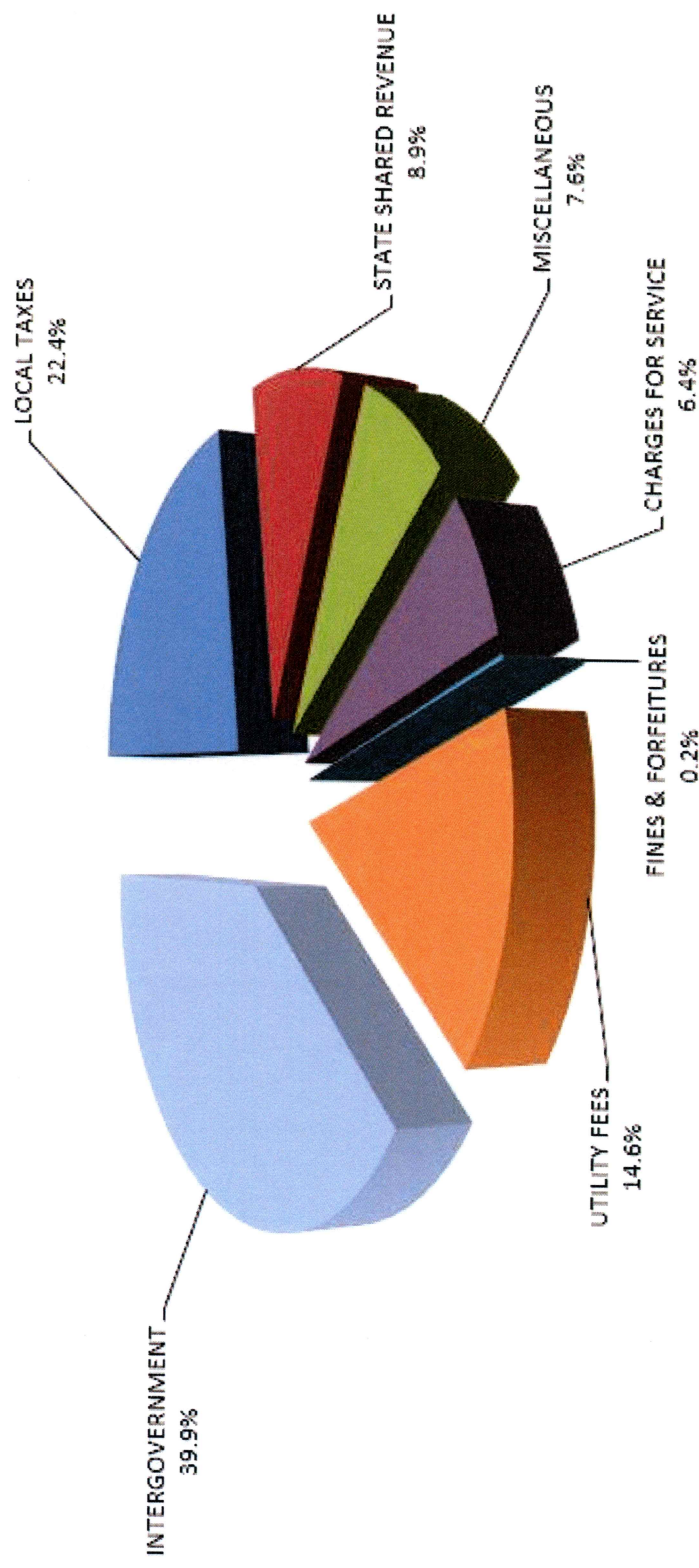
Operating Revenues

- Beginning Balance - \$57,360,523
 - Savings from prior years
 - Includes reserves
- Other Financing Sources - \$8,000,000
 - Unanticipated (budget authority)
- Inter-Fund Transfers - \$8,077,975
- Operating Revenues - \$82,356,735
 - Revenue that will be collected or earned during the year

Operating Revenues

“Where does the money come from?”

FY 2026 - Preliminary Estimates
\$82,356,736

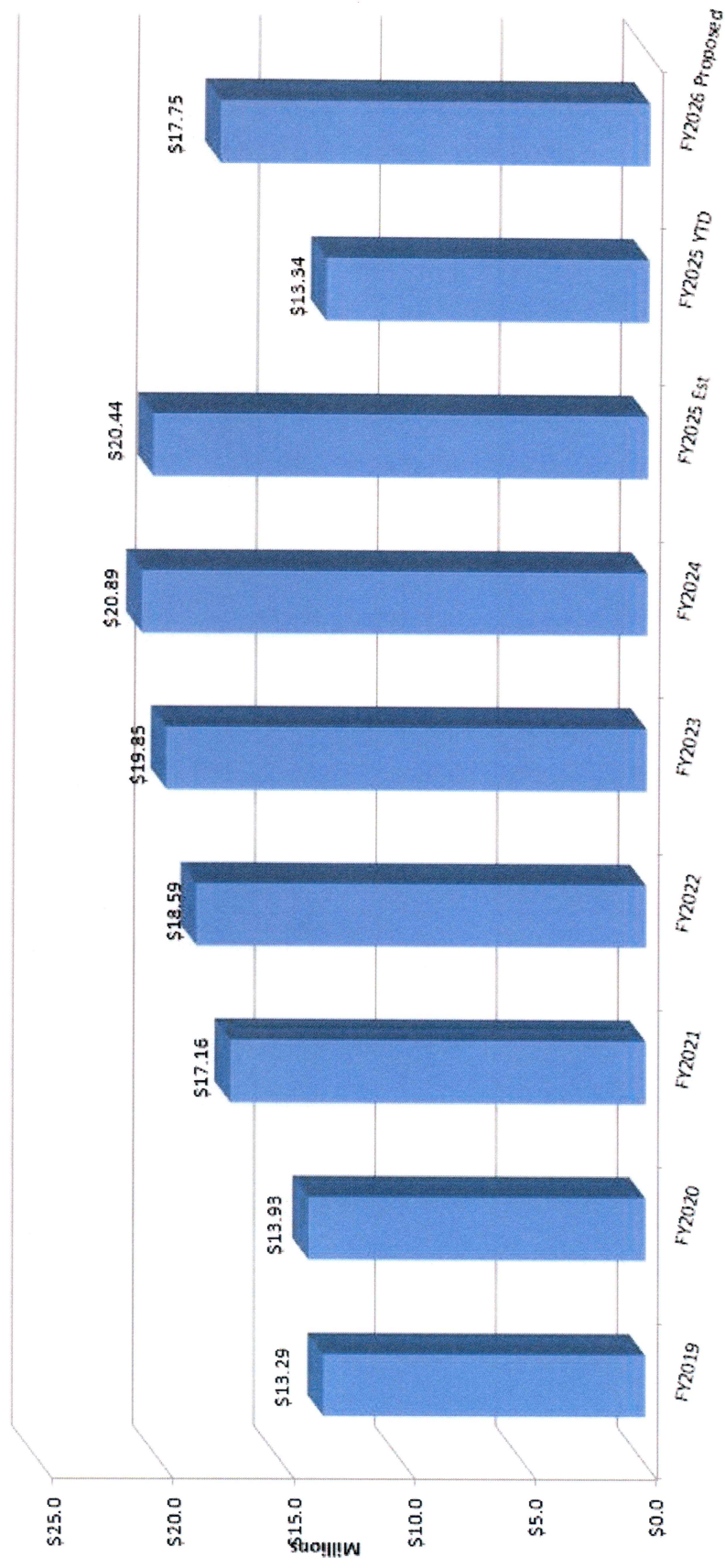


Utility Fees - \$12.04 Million

- Water (\$5.98 million)
- Wastewater (\$4.22 million)
 - Water and wastewater rates increase January 1 to reflect the CPI adjustment for the current year.
- Sanitation (\$1.86 million)
 - Sanitation rate CPI adjustment is July 1

Local Sales Tax - \$17.7 Million

Local Sales Tax (2%)



State-Shared Revenues

- State Estimated Population (12,535)
- Programmed at 95% of the preliminary estimates from the State of Arizona

	State Estimate FY2026	City Budget FY2026	95% Difference
Sales	1,839,445	1,747,473	91,972
Income	2,589,159	2,459,701	129,458
VLT	1,096,380	1,041,561	54,819
HURF	2,158,423	2,050,502	107,921
	7,683,407	7,299,237	384,170

Inter-Governmental - \$32.8 Million

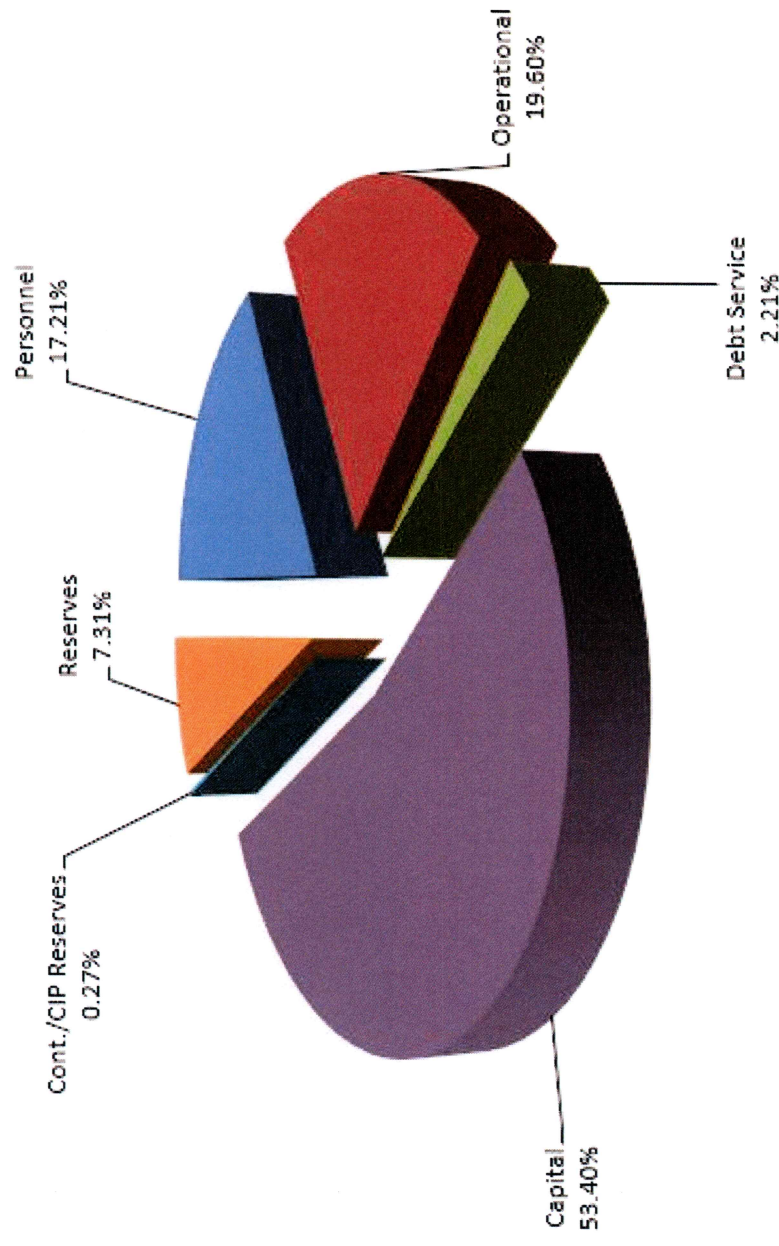
- Grant revenue
 - Major crimes apprehension team (MCAT)
 - School Resource Officer (SRO) – 4 officers
 - Qualified Energy Conservation Bond (QECB)
 - Prop 207 Grant Funds
 - Healthy Forest Initiative
 - AZ State Parks (pickleball courts)
 - Airport grants
 - Library grants
 - Transit 531 I grant
 - Scott Ranch Road (\$22.0 million)
 - Reidhead House
 - Tim McKay Park
 - New grants will come before council upon award

ADOT Transportation Alternative Grants – \$3.02 Million

- Woolford Multi-use Path
 - Applied for \$1,940,372
 - Project Cost \$2.06 million
- Pine Oaks to Fawnbrook Multi-use Path
 - Awarded \$1,086,561
 - Project Cost \$1.3 million

“Where does the money go?”

- expenditures by type



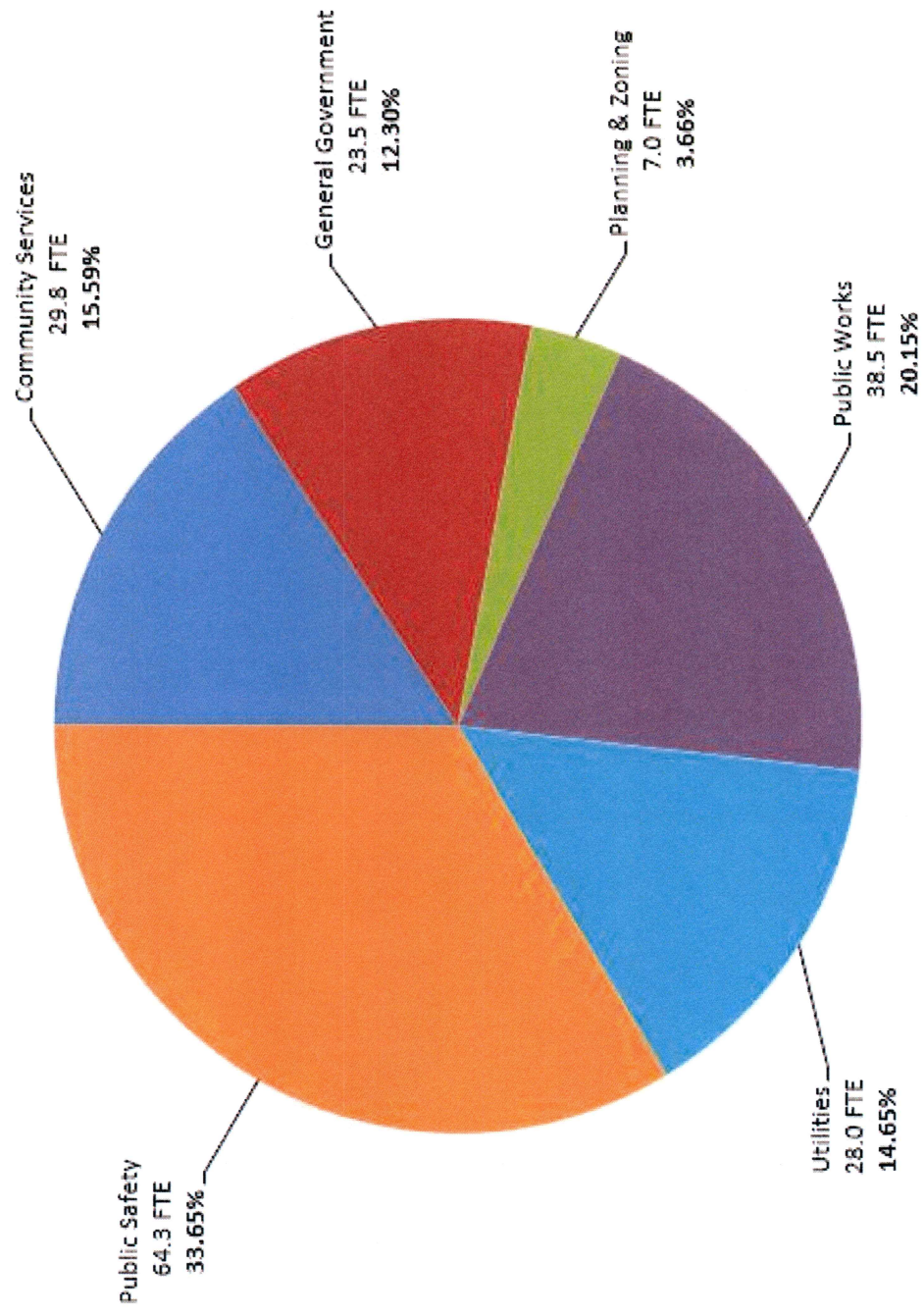
Excluding unanticipated and transfers

Personnel - \$21,741,803

191.1 FTE's

- Increase of \$1,512,021
 - Increase of 2.5 FTE's:
 - Library – Increases 0.5 (Library Clerk)
 - Parks Facilities/Maintenance – Increase 1 FTE (Maintenance Tech)
 - Engineering – Increase 1 FTE (Admin Assistant)
 - Police – Decrease 2 FTE (1 FTE – Dispatcher; 1 FTE – Police Officer)
 - Public Information – Increased 1 FTE (2 Part-Time to Full-Time)
 - Streets – Increase 1 FTE (Maintenance Tech)
 - Merit and lump sum depending on revenues
 - ASRS
 - 12.0% Employer/Employee (Decrease from 12.27% in FY25)
 - PSPRS
 - 3-tiered contribution plan – Tier 1, 2, & 3 budgeted at 20.0% (Same as FY25)

Personnel by Service Area



Capital/Contingencies - \$69.3 Million

General Operations	\$	17,350,000
Community Services	\$	619,000
Administrative Services	\$	245,000
Police	\$	1,447,734
Streets/Engineering	\$	30,465,324
Public Transportation	\$	551,051
Parks/Facilities Maintenance	\$	8,184,434
Airport	\$	2,762,555
Wastewater	\$	1,372,500
Water	\$	5,978,528
Council Contingencies	\$	350,000
	\$	<u>69,326,126</u>

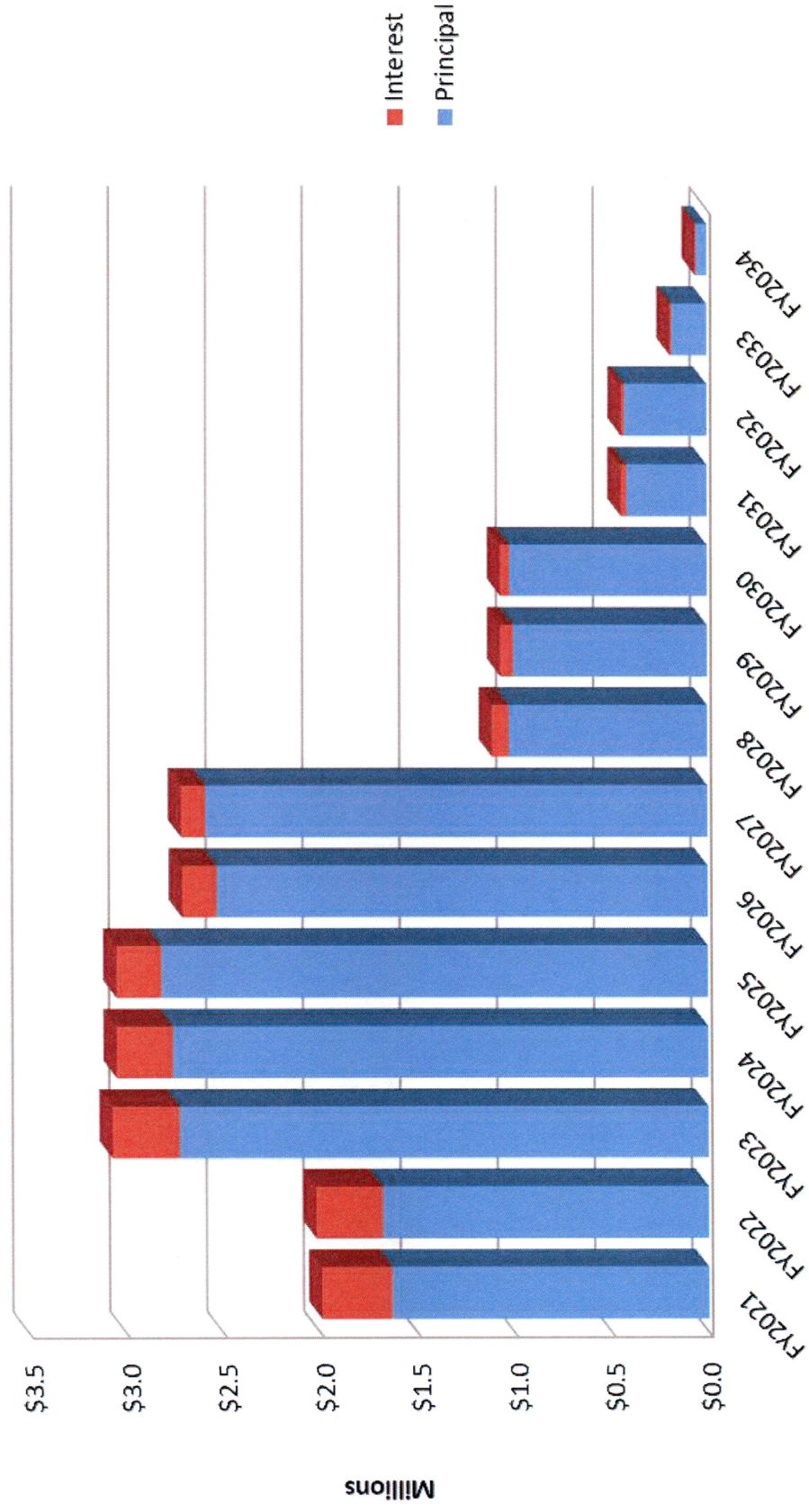
Reserves - \$9.4 Million

- Operating Reserves

Fund	Operating Reserve Goal	FY2026 Set-aside
General Fund	\$ 5,541,017	\$ 5,541,017
Water Operations	\$ 774,795	\$ 774,795
Wastewater Operations	\$ 423,052	\$ 423,052

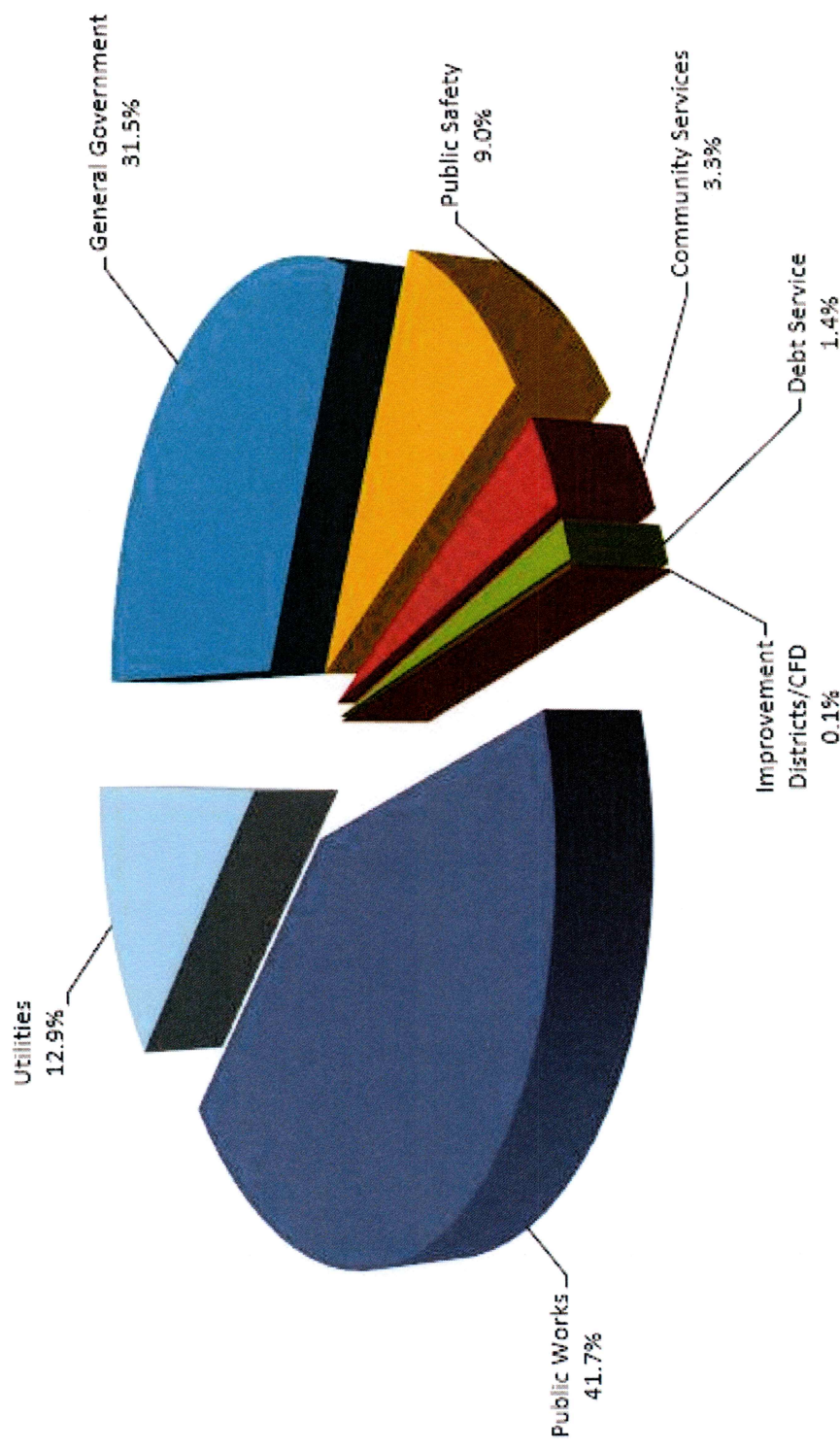
- Based on 3 months of Operational Revenue
- General Fund includes \$1.0 million voter required reserve
- Water Treatment Plant Reserve
 - \$2,700,000

Annual Debt Service



“Where does the money go?”

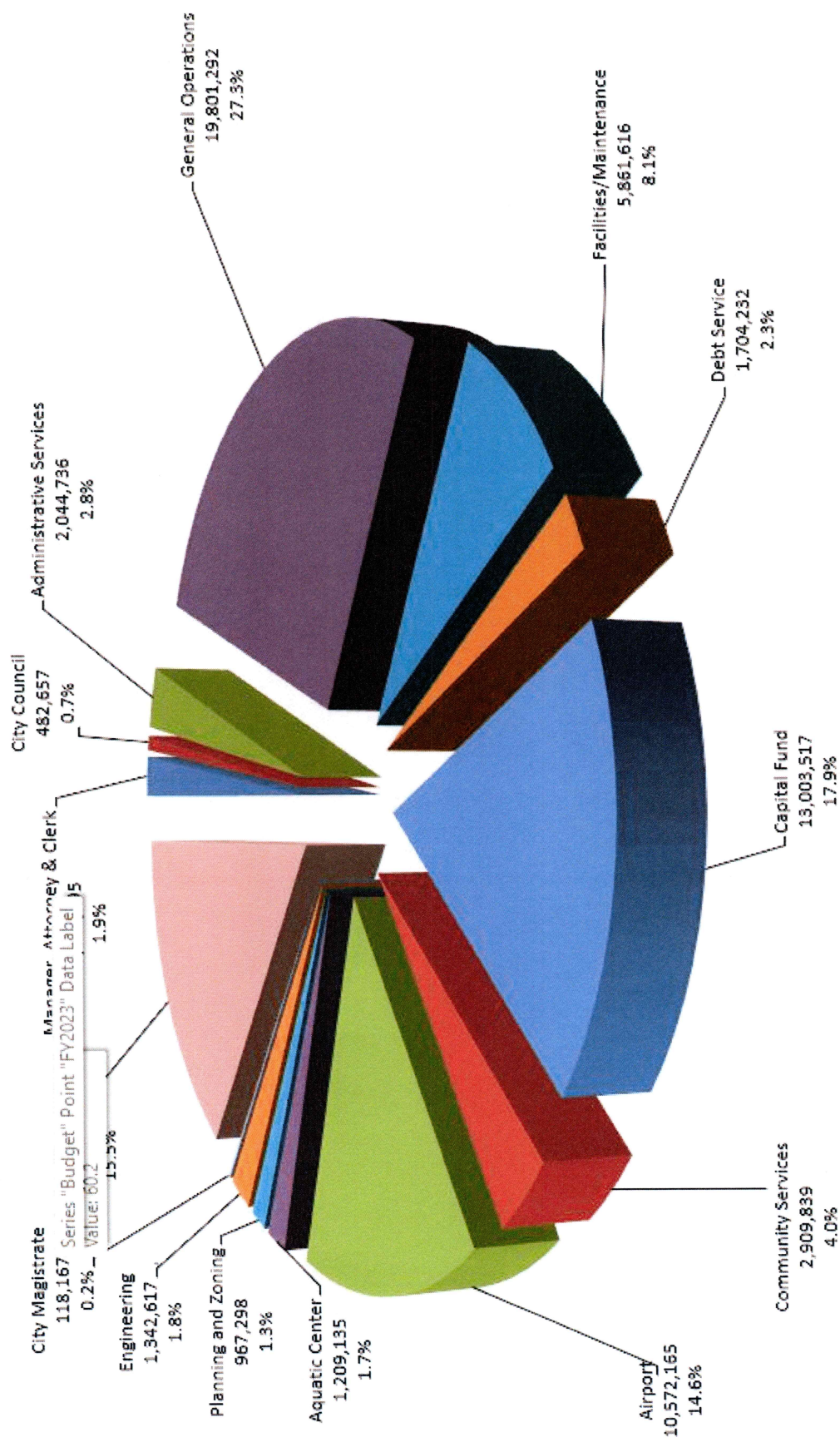
- expenditures by service area



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 3)
- Changes to Recommended (May 20)
- Tentative Budget Adoption (June 3)
 - Council modifications
 - Majority of carryovers
- Final Budget Adoption (June 17)
- Secondary Property Tax Levy (July 15)