

**PRESCOTT CAPITAL NEEDS COMMITTEE
MEETING - PRESCOTT, ARIZONA
APRIL 9, 2008**

A MEETING OF THE PRESCOTT CAPITAL NEEDS COMMITTEE WAS HELD ON WEDNESDAY, APRIL 9, 2008, in the Arizona Room of the Hassayampa Inn, 122 East Gurley Street, Prescott, Arizona.

COMMITTEE MEMBERS PRESENT: Tammy Linn; Malcolm Barrett, Jr.; Joseph Baynes; Stephanie Bragg; John Danforth; James Lawrence; Robert Reuillard; Elisabeth Ruffner; Robert Weiss; Ronald Younger; John Stevens; Dave Maurer; Ken Lain; Steven Blair; Milbeth Mauer; Roger Swenson; Paddie Braden; Eloise Esser.

COMMITTEE MEMBERS ABSENT: Frank Cimorelli; Tilden Drinkard; Rowle P. Simmons.

1. Call to Order.

Chairman Linn called the meeting to order at 4:00 p.m.

2. Approval of minutes of the March 26, 2008 and April 2, 2008 Committee meetings.

Chairman Linn said that she had been asked previously if this is the normal level of detail on minutes of committees and she had talked with Ms. Burke regarding that issue. Ms. Burke indicated that it is the level of detail she uses with City Council minutes because that is what has been requested of her; if they would like less detail she could do that as well.

Mauer asked if it was necessary that each name be listed when they speak. Bragg noted that there is a reporter from the Courier in the room. Ruffner said that she believed it was better to have the name and related comment so that if it is wrong, there is some protection.

Chairman Linn said that this goes back to the discussion held at the second meeting where they set the expectations and guidelines for comments.

Reuillard said that the organizational chart that was presented earlier was not correct and the committee was told they would get a corrected one; he asked when that would occur. Hadley stated that the chart is updated during the budget process which is ongoing at this time, and they would provide a new one to the committee.

Reuillard said that he felt the statement made in the Courier regarding the committee was very unfair. He said they are a group of 21 people spending a lot

of their own time, doing their best to absorb everything being presented. He believed that the “mosquito in a nudist colony” was overkill. They do have a big job and they have realized that from the beginning.

He said that whether they make a recommendation to the Council, or possibly break into groups of four to review specific issues they need to be completely transparent. Chairman Linn said that later in the meeting they will be asking for volunteers to look at the overall process.

Blair said that he would like to clarify an issue that came up at the last meeting, regarding the 20% existing growth – 80% new growth formula. He said that the City had a policy associated with the purchase of the water ranch that 80% of that would go to new growth; it had nothing to do with parks/recreation, water, sewer, etc. He did not want anyone misled. Ruffner agreed that it was important that everyone understand that the percentage only had to do with the purchase of the water ranch.

Typographical errors were noted on the minutes of March 26, 2008. There being no further discussion regarding the minutes, the minutes of March 26 and April 2, 2008 were approved by consensus, as amended.

3. Review of priorities for Public Safety (Police/Fire), Water/Sewer and Roads.

Hadley then gave an overview PowerPoint presentation of what they have covered to date.

Police Department. It was noted that these were the requested years of the Police Department.

Blair said that Prescott Valley has an indoor shooting range and asked why they don't partner. Deputy Chief Kabbel said that Prescott Valley's range is an outdoor range.

Vice Chairman Weiss said that he had read an article about Gunsite in Paulden and their willingness to let any of the law enforcement officers use it, free of charge. He asked if there was any feasibility of that being used. Kabbel replied that they have used Gunsite but it costs them \$1,000 to \$2,000 each time they go out. Plus, going out there takes time getting there and back as well as the shooting time, and that manpower is away from the City. They can only take a limited amount of people to do that.

Mayor Wilson said that right after he read that article he contacted Police Chief Oaks, and he indicated that the first problem is the travel time; the other problem is that Gunsite does not have slots available to sufficiently cover the needs of the Police Department, even if they did it for free.

Ruffner said that she was there on Monday for another reason, and the marketing director for Gunsite indicated that they have a number of communities that use their facility. They have lead recyclers come in that pay Gunsite to be able to remove the lead, and she had indicated as well that it would be free of charge. She suggested that perhaps they should have the marketing director meet with the committee. Kabbel said that he could make that contact, but he could also present their bills for the last five years.

Blair asked where the City gets certified for indoor shooting. Kabbel replied that they do not have to be certified separately in indoor shooting. The reason they were requesting an indoor range was to cut down on the noise of the outdoor range, and eliminate the ricochet aspect of the bullets.

Lain asked how much downtime there would be if they did build a new indoor facility. Kabbel replied that they have 75 sworn officers and each one qualifies six times a year. He said that an indoor shooting range would have eight positions; they would have some shooting, and some on the street. He said that there are five other agencies that use the outdoor range, so they could probably recoup some of the operating costs from those agencies.

Bragg asked if Prescott has talked with Prescott Valley about the possibility of sharing the cost of an indoor range. Kabbel said that Prescott Valley has their own outdoor range that is not impacting anyone, so they have no need for an indoor range.

Bragg asked how many people they had go out for shooting at one time, when they went to Gunsite. Kabbel said that they try to make a large production because they only can get the range once or twice a year. They try to take half of their people out in the morning, and the other half in the afternoon, but everyone is incurring overtime and the gas out and back.

Vice Chairman Weiss said that it was his understanding that there were three issues with the existing range—the sound, the projectory of the bullets and the potential lead clean up. He said that the biggest problem is the public complaints about the noise generated. He asked if it would be conceivable to have one building for both pistol and rifle shooting. Kabbel said that to have a larger range, to allow for 100-150 yards for rifles, the costs would go up two to three times, and a conventional building would not be approved by OSHA.

Braden asked if the plan was to build the indoor range at the same location as the existing range. Kabbel replied that was the plan.

Barrett asked if the City had ever looked into a recycling contract with anyone for the lead cleanup. Kabbel said that most recently when they started looking into it, they checked with ranges in the Valley that have gone through cleanups and

there is a cost recovery for a company to come up and pull out the lead, but they are still looking into it further.

Fire Department. She said that the sheet is their actual five-year capital plan, and there are some things that are not part of the Committee's charge, such as radios.

It was noted that the Police Department had shown the entire \$10 million for the joint training center; however, the Fire Department's share would be \$6.9 million and Police would be \$3.1 million. Blair asked why they were shown in different fiscal years. Hadley replied that it will not be in 2009; it could be moved to 2010. She said that it depends on whether there is funding available, and what type.

Maurer asked for clarification on which items the committee was to consider. Hadley replied that they would be items 9, 10, 11, and 12.

Vice Chairman Weiss said that it seemed that coverage is a critical issue, one area that needs it now is by Granite Dells; however, it is shown down on the list of priorities. Deputy Chief Lucas replied that the downtown area is where they receive the majority of calls and they also need administrative space. In reality, he said, they would like them to be in conjunction with one another.

Maurer asked if they were discussing Station #76, and said he thought the original cost was estimated at \$14 million. Lucas said that was when they were looking at a joint facility for both Police and Fire.

Vice Chairman Weiss asked what the location was for the joint training facility. Lucas said that it would be located at the end of Sundog Ranch Road.

Barrett asked why the joint facility was budgeted at \$14 million, and now the numbers were different when separated. Lucas explained that the original plans did not include a fire station; they were looking at a joint administrative facility. Norwood added that the numbers were also updated cost estimates.

Barrett said that the cost is significantly higher to separate them. Lucas said that location is an important issue, and when the Roadhouse 69 burned down, that location became the "golden nugget" with regard to response time. Barrett asked about the status of the Sixth Street property. Norwood said that it is going out this month to sell.

Transportation / Engineering. Danforth asked for clarification on the Economic Incentives listed on their sheet. Nietupski said that those were the payments to the improvements for Gateway/Lee Blvd. associated with the mall development. Danforth asked if they have already made those expenditures. Nietupski replied that this was the debt service for those expenditures.

Lawrence said that the Open Space Acquisition Advisory Committee is working on a PowerPoint presentation with regard to their budget cycle, and he would be willing to bring that presentation to the committee. Chairman Linn suggested that they defer that presentation until all of the other departments have made their presentations to the committee, and they set their priorities.

Stevens, in referring to #4 Unpaved Alleys, asked if that program had been suspended and if that was an administrative decision. Nietupski said that it was; it was made in order to balance the budget last year. He said that in the past they funded this anywhere from \$400,000 to \$750,000, but they had some greater needs last year. Blair said that alleys are just as important as unpaved streets; he believes there should be a figure on that item.

Hadley reminded the committee members that during Nietupski's presentation, he provided an entire list of projects they want to do that are currently unfunded. Nietupski said that if it is a recommendation from the committee to include a number there, they can insert that into the list.

Vice Chairman Weiss said that he thinks that the needs for alleys have to fall below those of streets. Hadley said that this is a program. She said that if the one-cent tax was extended, they could fund this but right now they have to go with current funding. Blair said that they are talking about people using their alleys in the historic districts as their only access. If they are looking at capital needs, he asked why they don't have a number there.

Bragg noted that some of the paperwork showed unpaved alleys at \$1.8 million. Nietupski said that represents the alleys in the central business district. Chairman Linn suggested that they make a list of this and other issues that would be impacted by extension of the one-cent tax.

Lawrence suggested that the one-cent goes through 2015, and the committee has no involvement in that. They would only recommend to the Council as to whether there should be an extension of it. Swenson said that they could make a motion to that effect and adjourn.

Blair and Linn disagreed; they believed it is off the table. Swenson said that he thinks it is safe to say that none of it is funded. Given the size of the requests the sales tax won't fund it any more than the General Fund, without some type of debt instrument to spread the costs over a period of time. He agrees, but the one-cent question is on the table. He assumes that staff and the Council will decide how to go about taking a bite out of the elephant. The real conundrum is the different types of funding. He said that even on alleys in the historic district, it may be important, but in terms of overall requests, the City has access to different kinds of tax-deferred finances that can make it affordable and make the mix make sense. He could not second guess the value of a fire station versus

SCUBA gear because that is what staff does for a living, and that is what Norwood gets paid to recommend.

Lain said that they all have their pet projects; he thought they were supposed to get all of the projects out on the table, and some will have to be cut. They have to figure the most important and then figure out how to pay for it. He said that they are lobbying too soon; they need to keep on task.

Chairman Linn said that she agreed; it came up because of the difference of the programs/projects. They need to keep on task and focus on the overall needs of the City.

Norwood said that they need to get through the projects. He said that they could end up looking at \$250 billion worth of needs and the committee says they have to cut it back. They may end up, as an example, thinking that the only thing they are comfortable with taking to the voters is an aquatic center, fire station and training center. They would then consider what it would take to pay for that through a sales tax increase, or through extension of the one-cent tax. He said that discussion is once they get through all of the projects.

Barrett said that it is a philosophical overview, ever since the first meeting they have been talking about funding. He thinks it is important to keep it in mind as they go through the discussion. They are at the end of a ten-year period of unprecedented growth in sales tax and will be facing at least three years of modest growth. They will not enjoy the growth rate in the next ten years as they have in the past. He said that if they cannot afford to budget for capital at the end of a ten-year growth period, he would ask how they think they can budget for it now. He asked why they have not been budgeting and planning for those needs, taking a percentage of the operating budget every year and putting it into a capital development fund.

Barrett said that he served on the City Council from 1993 to 1997 and when he left that was the budgeting process, and at the end of that time they had \$10 million, but by the end of 2001 the capital fund was down to \$0 because it was spent. There has been no intent to develop a capital fund.

Norwood noted that the City paid cash for a \$6 million parking garage. They fund their operations based on a conservative-based sales tax and any excess of sales tax is put into a fund. From that fund they also paid for a \$5 million library expansion, a \$4 million community center, a \$4 million fleet maintenance facility. They spent \$2 million on a communications system. They have done that through existing revenues and paying cash. They cannot keep getting that 10-12% sales tax each year, and they either find other funding sources, or cut back on operations.

Barrett said that they had to grow staff to meet those needs; he asked if they have considered cutting back to the levels they had before.

Ruffner asked if they ever discussed bonding during the fat years, so the cost would be spread out over a period of time. Norwood said that it has been a pretty conservative approach to “pay as you go.” Barrett said that “pay as you go” was the right approach at one time, but interest rates are low right now.

Mayor Wilson said that they were at a “pay as you go” process, but they need to remain cognizant of the fact that they have completed a water model and sewer model, both of which provided information that they did not have before.

Chairman Linn suggested that as people are jotting down notes, if they have specific questions, they should give them to her. Ruffner is going to recommend some information later in the meeting.

Hadley then reviewed the utilities requests – water and sewer separately. She then reviewed a chart that showed all requests together, both those that have been presented and those which have not, along with funding sources.

Discussion then began on the proposed rate/fee increases being considered. Chairman Linn reminded everyone that water, sewer and solid waste are not projects they will be considering, but they do need to keep in mind that the citizens may experience increased fees in those areas.

Barrett asked if most of the fees pay for operations. Hadley said that they do pay for current operations. Nietupski said that in reality, the services the City provides are not recovering all of their costs, so they are looking at increasing those.

Nietupski said that they have several projects, such as the National Pollutant Discharge Elimination System (NPDES), that have no revenue resource, so they have had to turn to the one-cent. He said that there are specific fees associated with growth.

Barrett asked if, as a general rule, impact fees went to pay for capital projects. Nietupski said that was correct.

Ruffner asked if there are any federal funds, such as the Federal Highway Enhancement Fund, that may be available for such things as drainage. Nietupski said that they just recently received authorization for a drainage engineering position, and they are investigating revenues that might be available to the City.

Utilities – Increases. Reuillard asked when the two, rate and fee increases, will collide. Hadley said that they have been set in motion. Woodfill said that the fees will be addressed by Council at the next meeting as to whether a Notice of

Intent to adjust those rates will be issued. The impact fees will take a little longer. The rates will be about 60 days, while the impact fees will be about six months out.

Community Development – Increases. Barrett asked what fees there would be for someone pulling a permit for a 2500 square foot house on half an acre located in town, on water and sewer. Hadley said that she could get that information and e-mail it to the committee; she did not know off hand. She said that in terms of other communities, they are in line or a little below. Blair said that he just built a new house and it ran around \$15,000.

Field Operations - Increases. Hadley said that this is for streets and solid waste and they have built-in rate increases. An opportunity for new revenue would be to increase their roll-off service. Barrett asked if the City charged by the yard or ton. McDowell said that it is by both. Blair asked if this is competing with commercial haulers. Hadley said that it is a service the City provides, but they do not advertise it and it provides a very limited service. McDowell said that their biggest competitor would be Waste Management.

Administrative Services – Increases. Chairman Linn asked how many acres the golf course was. Norwood said that it was around 300.

Blair asked about the possibility of business licenses. Mayor Wilson said that they currently have an effort underway that Jane Bristol is leading to look at business licenses, but the approach is to make them revenue-neutral. They would only recover the cost of the administrative services to get the information they need. Currently they cannot answer specific questions about the businesses they have in town.

Hadley said that there was a separate handout on the different grants available, and they do budget for those in case they get them.

Chairman Linn complimented Hadley on her presentation, stating that it was well done.

4. Review of real estate owned by City of Prescott (not being used).

Hadley then reviewed the various properties owned by the City that are not being used. She said that there is property on Sixth Street and two parcels of land by the old adult center, and they are all being put up for sale. She said that they are not looking at selling any of their land out in the Chino Valley area at this time.

Chairman Linn asked if it any of the properties available would be viable uses for the needs of the City. Mauer asked if there were any appraisals available on them. Woodfill said that they have no current appraisals; they have just been

looking at the current market to get an idea of their value. Barrett said that this is not the time to sell.

5. Presentation by Elisabeth Ruffner re request for information.

Chairman Linn said that Ms. Ruffner had asked for specific information, and she took that request back to the City to see how much it would take. Ruffner said that almost all of her questions from the last week were answered either today or in the previous minutes.

She said that her major concern was with understanding the source of funds, and she learned today that they have been spending capital money rather than bonding.

She said that the rodeo properties were paid for out of capital funds. When they talk about the income from sales tax designated for roads and open space, and they are not meeting the needs in ten years, she is questioning why some of the expenses are not being bonded so they are paid for over a greater period of time.

6. Questions.

Mauer said that she had a few questions. First, the minutes of a prior meeting showed that Norwood indicated a huge impact on the budget by police and fire and their retirement package. Norwood said that they don't have a choice; it is funded through the State Retirement System, and that is why a lot of big cities have their own funds. Mauer asked if they have ever considered having their own system. Norwood replied that they have not.

Mayor Wilson said that the State fund had a large loss that contributed to the problem, with investments in the stock market a few years back and that is one of the reasons they have gone so high.

Mauer asked how much the gas tax was. Woodfill said that the Highway User Revenue Fund (HURF), or gas tax, is used for street maintenance and is about \$3.5 million. He said that the State often looks at it as a funding source and it is frequently in jeopardy because of that. He said that DPS has impacts from pensions as well, and they often look at raiding that fund to help with those expenses.

Woodfill said that in addition, it is so many cents a gallon, and when people are buying less gas because of the overall costs, those revenues then go down. Lain asked if they could just have an increase on the gas sales tax. Woodfill said that the City cannot tax gas, only jet fuel can be taxed.

Swenson said that they did the “pay as you go” process in Kingman also. It works well even during lulls so long as it is predictable.

Lain asked how much the City was worth bonding-wise and how much they have been bonded against, as well as those amounts compared with other cities. Woodfill said that just looking at the City’s overall assets, they are worth \$1/2 billion; payroll is about \$67 million and \$50 million is actual debt. He said that Prescott Valley is not worth as much as Prescott, but they have debt in the hundreds of millions. He said that they have taken a different approach. He said that doesn’t get into capacity, which is a much more complicated question. There are several different types of bonds that Prescott can issue.

Chairman Linn said that next week is Parks & Recreation, the following week is miscellaneous and the third week out they are planning to review some evaluation tools. She asked for volunteers to look at various evaluation tools and make some recommendations to the committee. Reuillard, Ruffner, Swenson and Maurer agreed to assist with that process.

7. Adjournment.

The Prescott Capital Needs Committee meeting of April 9, 2008 adjourned at 5:36 p.m.

TAMMY LINN, Chairman

ELISABETH RUFFNER, Secretary