

PRESCOTT CITY COUNCIL  
BUDGET WORKSHOP  
TUESDAY, MAY 17, 2011  
PRESCOTT, ARIZONA

MINUTES OF THE BUDGET WORKSHOP OF THE PRESCOTT CITY COUNCIL held on MAY 17, 2011 in the POLICE DEPARTMENT TRAINING ROOM located at 222 SOUTH MARINA, Prescott, Arizona.

◆ **CALL TO ORDER**

Mayor Kuykendall called the Workshop to order at 8:37 a.m.

◆ **PLEDGE OF ALLEGIANCE**

Councilman Hanna led the Council and audience in the Pledge of Allegiance.

◆ **ROLL CALL:**

PRESENT:

Mayor Kuykendall  
Councilman Blair  
Councilman Hanna  
Councilman Lamerson  
Councilwoman Linn  
Councilwoman Lopas  
Councilwoman Suttles

ABSENT:

None

1. Discussion of FY2012 Tentative Budget.

Mayor Kuykendall said that today was a Workshop and there would only be discussion by Council and staff. He suggested that if anyone had questions they should make note of them and have them ready for the public workshop which would be held at a later date.

Mr. McConnell reviewed the process and began the PowerPoint presentation which addressed the following items:

▶ **FY12 BUDGET HIGHLIGHTS**

- Major Challenges Faced in Preparing the FY12 Budget
  - Economy and census impacts to State collected revenues (\$1.2 million reduction)
  - Increases in employee insurance and retirement costs

- No growth in local tax revenues
- Increases in utility and fuel costs
- Increases in various State fees
- All funds have been balanced for FY 12
- Balance is still available in Vehicle Replacement Fund for critical replacements
- All mission-critical City services remain covered

Mr. McConnell said that they believe it is correct to budget conservatively. What was being proposed was balanced, but that did not mean it could not be “rebalanced” if there were changes requested.

#### ▶ **ACTIONS REQUIRED TO BALANCE THE BUDGET**

- Vacant positions continue to be frozen and eliminated where possible (65.35 since FY09)
- Employee contributions for health insurance and retirement have been increased
- No COLA or merit pay increases
- Vehicle replacement program restructured and annual department contributions deferred
- Non-critical training deferred
- Non-critical operating supplies deferred
- Facilities maintenance deferred

Councilman Lamerson asked Mr. McConnell to define “critical.” Mr. McConnell said that it would be the core services, including public safety, water, wastewater, etc.

Councilwoman Suttles asked for clarification on facilities maintenance being deferred. Mr. McConnell said that the City has a great deal of physical facilities; they have 2.5 positions to maintain them. He said that they augment that with contract work where necessary, but they would do patch work instead of replacement work.

#### ▶ **SERVICE LEVEL REDUCTIONS & IMPACTS**

- Elimination of Parks & Rec programs including Teen Zone, youth camps, youth/teen summer & afterschool programs, Tiny Tot Olympics, Hershey’s track & field and Halloween events, adult flag football league
- Reductions in the Senior Olympics and the SNAP program
- Reduction in watering and field maintenance affecting health and appearance of fields
- Reductions in median landscaping and maintenance
- Elimination of many Parks & Rec and golf course seasonal positions
- Downtown Library hours reduced 8%
- Gateway Branch Library hours reduced; Branch to close Spring 2012

- Magazine and newspaper subscriptions cancelled at the Adult Center Micro-Branch Library
- Continued equipment replacement deferral requires more/costly maintenance, slows response to service requests

Mr. McConnell said that the Parks and Recreation Department is pretty much a Parks Department as most of the recreational programs have been eliminated. With regard to field maintenance, he said that they have to maintain them but they would not look like they have in years past. The cost of water has gone up and that is a significant cost item for a department like Parks and Recreation.

Councilman Hanna asked if any of the tourism money could come out of the bed tax to address those issues. Mr. McConnell said that they would get into that later, but the answer was yes. The wording on the ballot would allow that within some reasonable measure.

Councilman Blair asked if it was not a policy decision of the Council to determine whether they put money toward watering what they have or something else. Mr. McConnell said that was always a policy determination by Council.

Councilman Blair said that if the General Fund is based on 50% of their revenues coming from outside the City that weighs heavy on his mind. Councilwoman Suttles noted that if they were going to change some of the funding, then they have to take away from something else. Councilman Blair asked if they had employees in positions that were not essential.

Councilwoman Lopas asked if those programs that had been cut were first offered to the nonprofits. Ms. Horton said that for the most part they were programs being offered by another organization. They felt they were not taking things away from the community. She said that one program, Tiny Tots, did not have anyone step up.

Councilman Lamerson said that it was refreshing to hear people talking about priorities. He asked what "many" meant in the way of personnel reductions. Mr. McConnell said that his recollection with the Golf Course was that they ramped up for the spring season without 16-17 temporary employees they have used in the past and that was substantial. He said that they have very few or no temporary employees.

Mr. McConnell said that they will need to do this differently in FY13 as his sense was they were without measures such as an across the board 10% cut. That type of approach was over and they will be starting at the ground up, looking at essential services and building up a budget.

Councilwoman Linn noted that the City has one person for trails. She said that some of their departments were cut to the bar bones and they need to keep that in mind.

Mayor Kuykendall asked if the Library had been removed from Parks and Recreation for budgeting purposes. Mr. McConnell said that there was a separate Library budget, but in the financial system the City has it was still part of Parks, Recreation and Library. He said that there was discussion about creating a different Library Department and there were no objections to that from staff. On the other hand, as they have talked about separately in the future, they need to take care of the City organization and align it more. They have a lot of fragments that are not good from a management control and financial standpoint.

Mayor Kuykendall asked if they felt comfortable they could do that after the budget was approved or if those considerations should be looked out now. Mr. McConnell said that they were too close to needing to adopt a budget. It would probably be chaos to pull that together in the next six weeks. It was something that could wait. Administrative they have a sense, but they were talking about building a budget and looking at the organization from the ground up.

Councilwoman Linn asked if the City was in a lease with the Library branch at the mall. Ms. Horton said that they were and Spring of 2012 is when the lease was up.

#### ► MORE SERVICE LEVEL REDUCTIONS & IMPACTS

- Number of sworn police officers presently 68, down from 75
- Reduction in Community Based Policing including elimination of School Resource Officers, DARE program, blight clean-up program, bicycle safety rodeos, and crime free multi-housing program.
- Decreased focused enforcement including traffic, high crime areas (parks/transient issues), underage drinking, and warrant details
- Backlog of deferred Fire Dept. rolling stock replacement will be expensive to catch up
- Third year of virtually no replacement of other Fire Dept. capital equipment
- Facilities staff of 2.5 responsible for 550,000 sq. ft. means requests for assistance critical need only, others deferred
- Custodial service reductions in many City facilities
- Personnel reductions slowing completion/delivery of projects
- Due to personnel reductions mandated compliance with local, state and federal reporting requirements lessens productive time available for accomplishing departmental work

Councilwoman Linn asked what the reduction of the SRO's meant to Prescott High School. Chief Kabbel said that through the last few years, with all of the

reductions, they have taken the School Resource Officers out of the middle schools and cancelled the DARE program. They do have one in the high school. With staffing levels, they have been borrowing him for other details.

Mr. McConnell said that these are service level reductions that have occurred. The intent was not to create an environment of doom and gloom. They were meeting critical requirements and services, but it was tight. There is a tension that is not going to be released.

Councilman Lamerson said that when they set the budget, they were setting the expenditure limitation. Those were all single-line items and throughout the year when they come up for approval by the Council there was an opportunity to alter their spending. Mr. Kidd said that was correct.

Mayor Kuykendall said that in the capital section they have unfunded improvements so that if money came along during the process they would be able to spend that money. He asked if they had the same flexibility in personnel expenses if a windfall came along and their sales tax improved. Mr. McConnell said yes. The budget sets a cap. Within that budget there are different funds and categories of expenses. There is flexibility internally to redeploy.

Councilman Blair asked, based on the presumed budget they were looking at and based on what they should know by the end of the year, is it less than the amount of money they have brought in this year. Mr. Woodfill said that in the operational basis it is, in the General Fund. The budget is a lot of different business components and the General Fund was less than projected.

Mr. Woodfill clarified with regard to the tentative budget. He said that if someone gave the City \$1 million they could move the appropriation from an enterprise fund. There are rules about using water funds to pay for policy officers, but they were talking about the appropriations. It needs to be done in a public process, and that is why those go back before Council.

Mr. Kidd said that they were dedicated funds and they have to be spent for those purposes. Councilwoman Linn asked if it was the same for bed tax revenues. Mr. Kidd said yes; the Council had some discretion on determining what those expenditures were. They have to include the intent of the ballot language

Councilman Hanna asked who interprets. Mr. Kidd said that they would have to have a rational nexus. The Council has discretion during the time period where it sets their budget, but they need to make factual findings at that time. Councilwoman Linn asked if that would include operational expenses. Mr. Kidd said that it would be up to the Council.

Councilman Blair said that was the same way as with the capital program and impact fees. Those associated with parks and recreation would have to be used

for parks and recreation expenses. He asked if they could defend the rodeo grounds as being a park. Mr. Kidd said that there was a wide definition of what a park was. He said that in the definition of "park" in the dictionary it included "downtown square."

Councilwoman Suttles said that the State got into dire straights and started sweeping accounts. She asked if that could happen in Prescott. Mr. Kidd said that it could not; they could not take Impact Fees and divert them elsewhere, or the bed tax revenues.

Mr. McConnell said that one thing not shown on the slide was there was a reduction of two positions in the Fire Department, but as they went through the process it was his recommendation that they be filled, but it would be a Council decision.

Councilman Hanna said that he agreed that they need to start at the bottom and rework the whole system. The City's responsibility was to provide basic services; e.g. police, fire, roads, water, sewer.

Councilwoman Linn said that she wanted to make sure that they could not take different funds to pay for the two firefighters; that it would have to come out of the General Fund. Mr. McConnell replied that the General Fund was the funding source for public safety, so if they wanted to restore those positions that is where the money would come from.

Mr. McConnell said that there was still a lot of public confusion about appropriations, such as the idea that the property at the mall was being paid for out of the Water Fund. That was not correct; it was the appropriation that came from the Water Fund. He explained that "appropriation" is capacity.

Councilwoman Linn asked where capital expenditures come out of. Mr. McConnell said that they could come out of individual funds such as Water, Solid Waste, etc. or some are in the General Fund.

Mr. Woodfill said that the money for Trader Joe's came out of the Capital Improvement Fund which is designated for economic development or infrastructure capital items. It could have been appropriated out of a variety of department. He said that the capital fund does not have a steady stream.

Mr. Woodfill then began review of the budget itself, continuing with the PowerPoint presentation and reviewing the following:

► **GENERAL FUND**

Mr. Woodfill reviewed the General Fund Revenue Comparison chart. He explained that the General Fund revenues come from taxes, whether were not

related to services directly. As shown on the chart, taxes, which are the biggest revenue fund, has taken a hit, but it is starting to level out.

### ► GENERAL FUND REVENUES

Mr. Woodfill explained that in Arizona the municipalities set the levy, not the rate of property tax. He said there was a little capacity available if the Council wished to raise property taxes, but not much.

He said that the State Department of Revenue projects revenues to go up 4%, but the City went down because there were less people counted in the census. He said that the income tax was down 15% because of the two-year lag in receiving those revenues and the Vehicle License Tax also went down 5.4% due to the census numbers.

He said that 48% of the Dispatch budget is paid for by other agencies. He said that the Library was down 26%, more the result of the number in 2011 where they anticipated receiving more funds that never materialized. He said that the \$688,225 was closer to what it was on a historic basis.

Mayor Kuykendall asked if the sales tax, income and vehicle taxes were all tied to population. Mr. Woodfill replied that they were, compared to the other municipalities of the state, and the collection of the tax.

Councilman Blair asked if they attributed the state sales tax going down strictly on the economy or if there was any way to equate the change to other things, such as the number of thrift stores, none of which pay any type of tax. Mr. Woodfill noted that the sales made at thrift stores are not subject to sales tax per the Model City Tax Code and that function comes from the IRS. He said that it could have some effect, but there was no way to know what it was.

Councilman Blair said that they could not be naïve to think that they use the City's services but there is no money coming back to the City. Mr. Woodfill said that to fix that would be very complicated and they probably not succeed. He said that any amendments to the Model City Tax Code have to go through the Model City Tax Code Commission and be approved by them. He said that once they start messing with 501(c)(3)'s then they would be affecting churches.

Councilwoman Linn said that the nonprofits do now get charged for booths at events. Councilman Blair said that has now gone above and beyond thrift stores. Now they have their own restaurants that are in direct competition of the people the City supplies their core services to. Councilwoman Linn noted that one of the nonprofits has a catering service as well.

Councilwoman Lopas said that this was one of the reasons she would like to see the City initiate a business license. Mr. Woodfill said that they would and see if there was something they could do through the League.

He said that overall they were down 3.9% in the General Fund, but the fund was balanced.

Councilwoman Linn said that after they had the Regional Government Meeting recently, they learned that two or three of the cities have been impacted by a reduction from the census numbers and they were sending a letter petitioning that they relook at those numbers. Mr. Guice said that is a process that begins in June of this year. The City has two years to complete that process. The City can challenge the count as to whether certain blocks have been left out, which is one of the things staff will look at. Councilwoman Linn said that they need to do that since it is a ten-year number. They need to challenge it fiercely.

Councilwoman Lopas asked if they would just computer what is within the City limits. Mr. Guice replied that was correct. Councilwoman Lopas asked if they had to live in Prescott more than six months out of the year. Mr. Guice noted that one population they did not have this year that they had in the past was the jail, which was over 250.

Councilman Hanna asked if it would be retroactive if the recount shows a higher number. Mr. Guice said that they use the decentennial census numbers and then a population update for other revenue. He said that some would be adjusted retroactively, but most would be adjusted into the future.

#### ▶ LOCAL SALES TAX RATE COMPARISON

Mr. Woodfill reminded everyone where Prescott stood in the way of sales tax compared to other communities: Chino Valley 3%; Prescott Valley 2.33%; Prescott is at 2%.

#### ▶ PROPERTY TAX RATE COMPARISON

#### ▶ GENERAL FUND OPERATING EXPENDITURES

Mr. Woodfill was questioned about the Parks, Recreation and Library Department. He explained that the budget was the legal document and it was based on how the Charter had defined their funds. He said that the City Code has a Parks, Recreation and Library Department, but as they look at the City's overall structure they would look at that. This year they will need to follow this process.

Councilman Blair said, in looking at the two previous slides, there was a justification to look at their major purpose—60% going to public safety. He asked

what they would need to raise their property tax to in order to cover those costs in the General Fund. Mr. Woodfill said that right now the property tax covered about 4.5%; they would be looking at a 17X increase. He said that they could not do it legally because the State Constitution limits a municipality on what they can assess.

Councilman Blair said that at one point they talked of lowering the property tax. Now their sales taxes are not bringing in what they need and perhaps they need to raise it. Mr. Woodfill said that they cannot do it. He said that they kept their taxes low for years, but then a proposition was passed that readjusted the property tax limits. When that happened the City lost about \$1.5 million worth of capacity in their limit. He said that they could raise it some, but it would only bring in an additional \$80,000. Councilman Blair said that the press and people listening need to understand the City was hamstrung.

Councilwoman Lopas asked if there was a way to create fire districts. Mr. Woodfill said that they would have to establish the parameters and then take it to a vote. He said that it would then be a separate entity and not part of the City of Prescott.

Mayor Kuykendall asked if they were able to separate the library out of the 18% noted on the chart, since they would be talking about the ballot language at a later time. Mr. Woodfill said that out of the \$2.3 million budget about 8.3% of the 18% was for the Library.

Mayor Kuykendall said that in the past when they looked at the General Fund and their sales tax, it was about 50% and at the same time they were looking at public safety at 50%. This year they were looking at 58% to public safety. Mr. Woodfill noted that it was 67% if they added in regional dispatch.

Mayor Kuykendall said that realizing that their sales tax was off about 35% from construction alone, they were still pretty lucky, looking at the reductions and increases, even though they were significant.

Mr. Woodfill said that part of those have been a Council-adopted policy to charge out some of their general division. He said that was why the non-public safety portion of the pie was continuing to shrink because they were coming from the enterprise funds.

Mayor Kuykendall said that they need to do all things necessary to remain the shopping center of the area. The number he hears is about 45% of their locally-generated sales tax comes from those not living in Prescott. If they took that business away from the City and they had to depend of sales tax from just those living in the City they would be in trouble.

Mr. Woodfill said that the City has faced a lot of competition over the last few years. He said that in Chino Valley 3% is going into their General Fund; Prescott Valley 2% of their sales tax goes into the General Fund and .3% goes into a streets fund. In Prescott only 1% goes into the General Fund.

Councilman Lamerson said that it was important in looking at the pie chart that while 67% may go to public safety, the cops and firemen on the ground do not see that 67%; it goes for facilities, infrastructure, etc.

#### ► GENERAL FUND OPERATING EXPENDITURES

Councilwoman Suttles said that since they lost their City Manager that salary continues to accumulate. Mr. Woodfill noted that they were looking at the budget, not the estimated actuals. They have left that position funded in the next fiscal year.

Councilman Hanna noted that when the City Manager and Ms. Hadley left they both got a big check. He asked where that money came from. Mr. Woodfill said that it comes from the budget. Councilman Hanna noted that there was not a big surplus because of those checks being paid. Mr. Woodfill said that it was not there because it was cost recovery.

Councilwoman Linn asked about the increase in Regional Communications. Mr. Woodfill said that it was due to anticipated computer service costs associated with maintenance of their server farm, which was a critical need.

Councilman Hanna asked if, being down as far as they were with officers in the Police Department, it caused a hardship or hazardous situation. Chief Kabbel said that they have taken a significant hit over the past few years, like others. They lost seven officers through the last few years and ten civilian support staff. They were doing their part in reducing services where they could. He said that one way that will help is through the adoption of the alarm ordinance. Additionally, they have cut their services in the schools and special enforcement has gone back into patrol.

Councilman Hanna asked how many arrests the Special Enforcement unit was responsible for. Chief Kabbel said that he did not have specific numbers, but probably over 100 felony criminal arrests. Councilman Hanna said that by taking them off the street he have not stopped the crime, just the arrests.

Councilman Hanna said that he did not believe the citizens knew and understood everything that goes on in the City. A lot of time it is not reported or made public. For himself, he wants the bad guys off the street and if it going to take putting money into the Police Department to make sure they are protected, he does not have a problem putting it there.

Councilman Hanna asked if they need more police officers. Chief Kabbel said that their goal was to hold the line. In doing that they have taken a traffic position and put it into patrol, and the same was done with investigation. If they had more bodies they could provide better services.

Councilman Hanna said that last week they sat in the Chambers and talked about Rosser and Copper Bain Road. He said the answer was not putting things in the road, but enforcement. He said that this was a prime example of not being able to do that without the bodies. In his opinion, if the Police Department or the Fire Department needs bodies, they need to give them bodies and take the money from somewhere else.

Councilwoman Lopas asked if the City was where they should be in relation to National standards. Mr. McConnell said that the starting point was trying to find a community like Prescott and go from there. Chief Kabbel said that looking at National standards was tough because they were derived from areas such as New York City and Los Angeles. He said that in Arizona the average was around 2.5 officers per 1,000 citizens; Prescott Valley was at 1.42; Oro Valley was 3.34; Prescott was 1.7. He said that if they went back to 75 officers they would be at 1.88 per 1,000.

Chief Martinez said that in the Fire Department they have 4 people on each engine. They have five stations manned and three have four people at full manning, but someone is always sick or on vacation. They do maintain three at all times.

Councilwoman Lopas asked where the positions coming back would go. Chief Martinez said that they had two firefighters retiring and they had originally decided to not fill those positions. The logical choice was to eliminate the fourth person at Station 73, but that had an impact with the FAA. They were going to have to rework their whole structure to keep that and that would impact critical grant funding.

Councilman Hanna asked if it was more important for \$2.3 million at the Library or \$600,000 to hire more cops. He said that was what they had to look at. Mr. McConnell said that the recommendation was to look at that, but meticulously.

Councilwoman Linn said that they need to be comparing apples to apples. They have to look at the tax structure, too. They can only do so much with property tax and there has to be a balance on both sides. If they do not have it and they are limited, they need to be very strategic in bringing in the revenue.

Mr. Woodfill said that expenditures were down 2.7% but that would change with the Fire additions.

► **GENERAL FUND FY12 CAPITAL OUTLAY PROJECTS**

Mr. Woodfill said that there were not many projects in the General Fund. Councilwoman Linn asked how long the General Plan would take. Mr. McConnell said that it was scheduled to take around 18 months.

A break was taken from 10:10 a.m. to 10:20 a.m.

► **GENERAL FUND UNFUNDED CAPITAL FY 13-17**

Mr. Woodfill said that they have not eliminated any of the unfunded capital projects. He would not read through them all, but would be glad to answer questions.

Mr. Kidd said that staff was recommending, as in the past, that their motion to approve the budget includes a motion to approve these unfunded capital projects as it provides for some immunity.

Mr. McConnell clarified that the motion would come at the time of the budget adoption. He said that they had a series of slides with listings of projects. The Council does not need to get into them, but if there was anything that they want to bring into the budget, they need to know. Additionally, if there was anything in Category B that should not be in there, they could take them off the list. Otherwise, next year they would have the same list with any adjustments. He said that they were primarily for informational purposes, with the message being that the funding was not there for the projects.

Mr. Woodfill said that the IT Data Center Expansion was due to their seeing a need to expand the server farm area. He said that this is an item that they wanted to make management aware of in case they need it in the future. He said that he has lost 4.5 people in this department over the past few years.

Councilman Blair asked how money was in the park fee for new residents. Mr. Woodfill said that they would go over that one later. Councilman Blair asked how much they had generated with the kiosks. Ms. Horton said that between the kiosks and the sale of annual passes it was around \$110,000, and the kiosks had been operational since around October. Mr. Woodfill noted that those revenues go into the General Fund, except for those raised at the Peavine which the Council wanted put into a separate fund. Mr. Woodfill clarified that the City was previously receiving parking revenues of about \$60,000 to \$70,000 a year.

Councilwoman asked if it would be possible to use some of the free services, such as Skype, instead of having to bring up attorneys for the Valley. Mr. Woodfill noted that sometimes they do try and have conference calls. Mr. McConnell said that they would look into that possibility.

Councilman Lamerson asked Mr. Woodfill if his department would come to a screeching halt without the equipment. Mr. Woodfill said that it was scheduled for 2014. It would not cause problems for his department, but it would for those departments using computers. Mr. McConnell noted that the longer the expenditure gets pushed out, the solution may be different.

Councilwoman Linn noted that one area in which she travels by frequently, and she wanted to bring up, was between Granite Mountain Middle School and Abia Judd. She said that the tennis courts are very bad and they have been vandalized. She had been told they belonged to the City. Ms. Horton said that she would find out.

Ms. Horton said that the list for her department was prepared with major input from her staff. She said that the fourplex at Pioneer Park would be done using millings from Chad's department. She said that the ramp extension would depend on the level of the lake. She said that the ventilation project was an OSHA requirement.

Ms. Horton said that most of the people in the Over the Hill Gang live in the Prescott Lakes area. They went ahead and built the trail system and were looking to have their costs returned to them. She said that the total is \$25,000; she broke it into two years.

Ms. Horton said that the Willow Creek Park restroom was for a restroom at the dog park. Councilman Hanna asked if that could not come out of the impact fee fund. Mr. Woodfill said that it could possibly, but that would use up the rest of the impact fees for Parks. Joe Baynes said that it would be a little over 1,000 square feet.

Ms. Horton briefly reviewed the various unfunded projects. She said that Mr. Baynes had some great ideas for the bike skills park, especially with all the emphasis being given to bringing bikers to town.

Ms. Horton said that they had moved out the plan for a North Prescott Library, but realized that as the City moves northerly, they will want another library at some point in time. Councilwoman Suttles asked if it made sense to consider building a new one while the one at the mall was being closed. Ms. Horton noted that the one at the mall was very limited in what it offered. Mr. Saft of the Library added that the North Branch would be a full-service library with meeting rooms and better parking.

Councilwoman Lopas asked what the status was of the wall at Ken Lindley Field. Ms. Horton said that would be discussed later in the presentation.

Mr. McConnell noted that some of the projects being discussed date back to the Capital Needs Committee. They were operating at a different time when the City

had money. He said the projects were listed because staff did not want to presume to take them off. They thought they should be there even though they were conceived at a different time and during a different economic climate.

Chief Kabbel reviewed the Police Department list. He said that they have a partially-enclosed shooting range listed because with the Peavine Trail and the Storm Ranch subdivision being planned, it will be an issue later on. He said that within the next few years they might need to look at an indoor range.

Councilwoman Lopas asked if there had been any discussion of leasing City land and allowing the private sector to build a facility. Chief Kabbel said that they have not because there is not a place to put it. He said that their range is used by eight other agencies. He said that they looked at Gunsight for certain things, but it is quite a drive. He said that they could look at other locations, but noted that the lead at the current location could environmentally be an issue. Councilwoman Linn noted that the Capital Needs Committee looked at that issue. Chief Kabbel said that right now what they have is a perfect location. He said that anything else is going to cost them a lot of money.

Councilman Lamerson said that it was a perfect location and asked how long it had been there. Chief Kabbel said that it was one of the original shooting ranges for Prescott Police Department; it had been there since the 1920's. Councilman Lamerson said that it irritated them that they were looking to push it out of there.

Councilwoman Suttles asked if they did not still send evidence down to the Valley. Chief Kabbel said that was just for the testing. The evidence itself is stored here. Councilwoman Lopas asked if they could partner with Prescott Valley for evidence storage. Chief Kabbel said that the evidence they have goes back and forth to court and the chain of custody and security is put on the Prescott Police Department. Councilwoman Linn suggested that they talk with the new Sheriff and see about possibly using the downtown jail.

Fire Chief Martinez reviewed the Fire Department's project. He said that they had scaled down Station #76 to just a fire station. There was no guarantee they would be able to remain in the CYFD Sixth Street station so they have been looking at other alternatives for administration.

He said that the #77 station near Watson Lake has been on the radar since 1975. It would fit into improving the response times in the Prescott Lakes area. He said that Station #78 would be needed at some point if they annex property north of the Airport.

Councilwoman Suttles asked about the fire station to be on Sheldon/Montezuma. Chief Martinez said that was Station #76 that has been scaled down to just a fire station. He said that they have the personnel for that station, but they would

probably need some equipment. They will be revamping a new business plan. He said that the other two stations would require personnel as well.

Discussion was held on the amount of calls that were actually fire related. Chief Martinez said that 75% of their calls were EMS related calls and of those 75%, 55% were true emergencies. He said that he believed there were 175 fire related calls.

Councilman Lamerson noted that the potential annexations and planning for the future, they should not lose focus on the available water and how much of it is already committed. Mr. McConnell said that his understanding was that the General Plan Committee would be looking at that directly.

Councilwoman Linn suggested that they keep an eye on the EMS related calls. She believed that as they continue to see funding changes in the schools, with the lack of school nurses, they may see more increases in calls.

Discussion was held on possibly having a municipal ambulance service. Chief Martinez said that a lot of the larger departments have gone that route, but it requires a Certificate of Necessity which was difficult to get because of current legislation. He said that at one point they were looking at ways to make that easier for municipalities, but he did not know where that stood. Councilwoman Lopas said that she would like to see any type of update available on that issue.

Councilman Blair asked, if 75% of all the Fire Department calls were not fire related, why they did not have a station wagon with equipment in it to take the pressure off of having to have more equipment.

Chief Martinez said that engines cost about \$1/2 million once they were equipped. He said that were equipped to deal with all risks. They have to be ready to go on any type of call at any time. If they went to station wagons they could be out on a call and have to first return to the station to get appropriate equipment if another call came in.

Councilman Lamerson said that it was his understanding that by state law they were not allowed to submit a bill to people. Chief Martinez said that was correct. Councilwoman Linn asked if they saw any abuse with that similar to the alarm systems. Chief Martinez said that they do see them from time to time but they are on the side of safety. Councilwoman Linn said that she believed they could bill insurance companies but they would have to set up a separate entity. When they checked into that last year it was very cumbersome.

Councilman Lamerson said that he did not have a problem with keeping a wish list together, but they need to tell the public that they do not have funding for the projects listed.

▶ **UNFUNDED GENERAL FUND CAPITAL OUTLAY-PROJECTS FY12**

▶ **GENERAL FUND CAPITAL IMPROVEMENT RESERVE**

Mr. Baynes said that there were only certain things they could do with the wall at Ken Lindley Field. He said that their plan was to take the rock wall down and retain in for future use, fence the top, slope the side and install rock on the face.

Mr. Woodfill said that there was \$3.8 million left with \$446,890 unreserved and \$3,004,934 for the Golf Course interfund loan and \$356,087 for the recreation impact fee interfund loan. It was noted that the rents from the Trader Joe leases would go back into this fund.

Councilwoman Suttles, referring to Slide 18, said that the numbers for facilities maintenance remained the same. She thought that those dollar amounts might be different than in the past. Mr. Woodfill said that those were estimates; the actual amounts would be whatever the bids came in at.

Mr. Fenech explained that when they did the estimate it was in response to the Capital Needs Committee three years ago. Tom Riley, who was familiar with the rodeo grounds, was asked to give staff an estimate based on the Mackin Building, on what they would need to build it to be to Code that would be ADA accessible and able to service that many people. He said that Mr. Riley did the calculations and the estimate was based on number of fixtures, etc. Councilman Lamerson said that they know that times have changed and they will know the actual numbers when they get to the reality of bidding.

▶ **SPECIAL REVENUE FUNDS**

▶ **HURF, STREETS & OPEN SPACE**

Mr. Woodfill said that these numbers were down partially due to the economy, the census and the State's budget. He said miscellaneous amount was primarily for the Build American Bonds. He noted that the IRS rebates an amount to help offset the costs of them.

▶ **HURF, STREETS & OPEN SPACE FY12 PROJECTS**

Mr. Woodfill said that the carryover was for the Open Space of \$500,000.

Mayor Kuykendall asked what the increase in operating expenditures was for approximately \$600,000. Mr. Woodfill said that it related to some of the costs for maintenance in the rights-of-way. He said that the biggest increase was in debt service because they have issued \$27 million worth of debt in the last two years.

In referring to Slide 23, Councilwoman Linn said that she had previously talked to Mr. Woodfill about the \$265,000 shown for aerial images. She asked that they reconsider that number as they have not grown that much over the last two and a half years, since they did the aerial photos in 2008. Mr. McConnell said that they would provide more information on justification for that item.

▶ **CAPITAL IMPROVEMENT PROGRAM**

▶ **FY12 TRANSPORTATION PROJECTS**

▶ **FY12 WATER PROJECTS**

▶ **ADDITIONAL WATER PROJECTS**

Councilman Blair asked if the North Reservoir item included the building of the tank. Mr. McConnell replied that it did.

▶ **FY12 WASTEWATER PROJECTS**

Councilman said that they had the opportunity by Charter for growth to pay for growth with impact fees, but the moratorium on those has impacted their ability to do certain things. He said that not all of them were solely for the benefit of existing ratepayers. He asked how they came up with the portions for existing ratepayers versus new growth.

Mr. Nietupski said that several years ago the City engaged Dan Jackson to assist them in the development of the distribution of costs for impact fees and user rates. He said that every one of the improvements identified which were growth/existing related and they carry that forward with regard to impact fees, even though it is a question that finance will be looking at.

Councilman Lamerson said that he understood what the Charter and constitution says, but he has questions on what the Legislature has done on their ability to manage what is going to cost the community. He said that what did not stay consistent was the fuel, Davis-Bacon wage requirements, etc.

Mayor Kuykendall asked if they had not increased their water rates. Mr. Woodfill said that they did, and they also increased the wastewater rates. Mayor Kuykendall asked if the 80/20 split still applied on those rates. Mr. Woodfill said that they were keeping the split even if the sub-fund is not sufficient to cover it. He said that was appropriate and what the engineers determined was the design. The rate increase did take all of that into account. The operational account will loan the impact fee funds money as they move forward. He said that as the rates continue to increase at the intervals this will follow as well.

► **PROJECTS IN DESIGN FY 2012**

Mr. Nietupski said that the Ruger Road project indicated is to work with ADOT through their realignment to do intersection improvements.

He said that there are drainage improvements for Yavapai Hills, Black Hawk and Cliff Rose. He said that those were all similar situations and will be paid for through the Yavapai County Flood Control District. He said there would be another IGA coming before Council on those items.

Councilman Blair asked, in light of the issues being addressed on drainage problems, if they have any more of those types of things coming forward. He said that regardless of whether it was funded through the Yavapai County Flood Control District, they should have been the responsibility of the developers. He asked if they had corrected those things.

Mr. Nietupski said that he could not say they have corrected everything out there. This is on the objectives of the drainage section, to identify those problem areas. Going forward, the standards by which development is done have been improved. He said that the aerial imaging project is an element of that and there is a real need for that project.

The City Council took a lunch break from 12:01 p.m. to 11:16 p.m. Councilwoman Lopas did not return at this time; all others were present.

Councilwoman Suttles asked if each of the drainage projects discussed previously would come before Council individually and they could then see how much others would be contributing. Mr. Nietupski said that if the projects were not funded through an IGA with the Flood Control District they would not come back before Council.

Mayor Kuykendall asked for clarification on Item #87, Willow Creek Wall repair. Mr. Nietupski said that they have had a continuous problem with the wall. They have over 45,000 square feet of rock and are prepared to go forward with removing it all, in incremental fashion and as necessary, and go back with a solid color. They are looking at synthetic stucco with high durability. He said that they will attack those that are failing and go year to year as needed.

Councilman Hanna asked what the \$250,000 was for. Mr. Nietupski said that they would bring it to Council, but depending on how much is to be done, they may need to contract some of the work.

Councilman Blair asked for clarification on Item 88, Willow Creek Channel. He said that he remembered a past Council approving FEMA and County Flood District funds to secure the levy. He asked if that was not sufficient.

Mr. Nietupski said that the drainage analysis has been done as a result of FEMA's more stringent restrictions after Katrina. It required that levies be recertified. Through that process they learned that it was not currently meeting criteria established by FEMA. He said that this project is associated with that effort to bring it into compliance.

Councilman Blair asked if they were doing anything with the tributaries. Mr. Nietupski said that was a part of the study that FEMA has encouraged all communities to do. He said that they know that some of the maps done in the 1970's and 1980's are inaccurate and that is part of the effort being taken by Greg Toth.

Councilman Blair asked if it would fall on the City if FEMA comes in and tells them their tributaries are inadequate. Mr. Nietupski said that the levy was constructed when the Sandretto Hills subdivision was built. Councilman Blair added that it was reinforced when Mortimer's went it. Mr. Nietupski said that this project would look at mitigation of impact of that levy and the channelization improvements in the proximity of the levy.

Councilman Blair said that the flood zone functioned both ways in the Sandretto area, with water coming down the creek and also water on the land. He asked if the survey would address those waters flowing into the floodway. Mr. Nietupski said that it would look at the impacts of the runoff as it relates to the levy in the creek and the property behind the levy.

Councilwoman Suttles asked if they were doing the Phippen Roundabout this year. Mr. Nietupski said that this would be the beginning design this year. It would involve working to define the facility and get plans developed to a point to where they could acquire the right-of-way and develop the intersection at the appropriate times. He said that it currently shows that in 2014. He said that because of things going on with ADOT they want to be ready in the event that the roadway is connected.

Mr. McConnell said that the Side Road connect is a long-term project and very expensive. They were not proposing to do that, but the Phippen Museum has a major expansion taking place and they were interested in locking in their access. They they stick a roundabout in there it has connection to their access so the design would provide a means for resolving that.

Councilwoman Lopas returned to the workshop at this time (1:25 p.m.)

#### ► **GOVERNMENTAL IMPACT FEES**

Mr. Woodfill said that the Impact Fee Analysis had to do with the legislation passed this year by the State in case they need an expert to review the fees and

the legality of them. He said that overall the only projects for parks and recreation were in the parks.

Councilwoman Suttles asked if they had not previously voted to start Kuebler Field. Ms. Horton said that it was help up but they were not at that point and everything is ready to proceed. She said that the amount in the budget was an estimate from Public works to bid it out, but it would be around \$150,000 to do it in house. The field size was added due to the need for a full-size soccer field. She said that there would be no money spent this year; it would get started until FY12.

Ms. Horton said that the highest cost in maintaining the field would be water, but the existing IGA they have with the County addressed the issue. Phase I, the fourplex on the east side of Commerce, requires the City to pay the water bill. Phase II, Kuebler area, is required of the County. She said that the City would allocate 12 acre feet.

She said that there were several components, with 75% of the maintenance and field prep costs covered by user fees and the other 25% fielded by the Department. She said that in regard to field prep, next week the Council would see an IGA between the City and Yavapai College re use of the fields and related maintenance.

Councilman Hanna asked if the County was doing the water on the first Kuebler field. Ms. Horton replied that they were.

Councilman Blair said that he could appreciate the fact of always wanting to build something new, but it goes back to the justification. Ms. Horton said that predominantly it is to take care of the citizens. When she first presented, she gave hard data to back up their claim to being #1 in sports participation per capita in the state. The demand is so high that they have to address it. The way to address it is through Impact Fees. She said that there is a tourism component because the fields bring the tournaments that bring in \$3.9 million annually, but this is driven by the citizens.

Councilman Blair said that he continues to hear about putting in a full size soccer field, but everywhere they look with the Prescott Unified School District, their enrollment is way down. Ms. Horton said that the leagues have not been impacted by that downturn. Councilman Blair said that he would like to see a real number for what the ballfield will be to put in. Ms. Horton replied that the only number that was unrealistic was the parking lot because they were not going to bid it out.

Mr. Baynes said that if it was just a baseball field it would need to be graded, but in order to get a regulation, full-size soccer field it will require excavation. They were trying to get the largest amount of user groups to utilize the facilities. He

said that initially they were trying to put the parking lot next to the field, but after looking at the cost, if they put it in right across the side road the number dropped from \$426,000 to between \$150,000 and \$160,000.

Councilman Blair said that he wants to be sure. He has been getting comments, some regarding the VIP field, and saying that if they could not take care of what they have, they should not be doing something new. Mr. Baynes said that the VIP field had more to do with their existing water budget.

Councilwoman Suttles asked if the money from the impact fees could be spent on other recreation things. Mr. Woodfill said that they could not use impact fees to provide an additional service level not provided before. He said that they need to be careful or they could end up in court.

Councilman Blair said that in his reading of the definition of park, it included a rodeo grounds. He has been told that it could only be used for a ball field and that was wrong. Mr. Woodfill said that the study that was done to create the fees did not take into account the rodeo ground and that could be a hindrance.

Councilman Blair asked about an already existing park at Willow Lake and Water Lake, and parking at trailheads. Mr. Woodfill said that they could look at that and they are, but they have to look at the whole area of impact fees, based on what the Legislature has done to them.

Ms. Horton said that they could find more uses for it, but the field was what their department deemed the most important. She said that looking through the community, from pre-little league through senior softball players, more people recreate on fields and this was the great need. Councilman Blair said that was fine as long as they were not locked and the grass stayed green. Mr. Baynes said that they were addressing their water budget concerns within the budget. The water for this field was from a different source.

Councilman Lamerson said that he credited Councilwoman Linn for asking the question of whether this was critical. He asked how it could be growth related if their population numbers were dropping. He said that he had concerns over this issue.

Councilwoman Linn thanked them for doing the research on the water. She said that her comment was that the census may have gone down, but if you drive by the fields, people are out there until 8 and 9 p.m. at night. The fields are full. She said that she gets a lot of comments regarding football fields. There is growth in the softball leagues, Little League, soccer; they would be amazed. She said that they were a community that brings people that like to be active, and she fully supports this.

Mr. McConnell said that this money has been accrued from growth; that is where it came from. They did not bond for the money; they accrued it so they can “pay as you go.” They do not know what will happen with the new impact fee bill, so this is like a “use it or lose it.” He said that this has been generated by growth and it is for growth-related activities.

Councilman Blair said that Goldwater Lake was growth related. He put the first road in and little has been done since then. He asked if they should put it toward 12 projects or 1.

Mr. McConnell said that every time they turn around there is another restriction on the use of impact fees. They have to create a CIP with specific projects and that is what the fee is based on. When they have discussions on using it for other projects, there is a need for an impact fee analysis. They need to review those and bring in those additional projects in the future.

Councilman Blair suggested that if there are any funds remaining after this project is complete, they have a clear course of direction, based on the list.

Councilwoman Linn said that she did not think that the impact fee would fit for repaving the road into Goldwater. Mr. Woodfill said that she was correct; it would not. If they were to widen the road, a part of the cost could be paid for by impact fees, but not all of it.

Councilman Blair asked if they could be used for redoing a remade. Mr. Woodfill said that it could not be used to replace it, but it could if they were expanding it.

Councilman Lamerson said that regardless of what comes out of the budget analysis, there is no restriction with him voting for it, even if there were items he did not agree with. Mr. Kidd said that was correct, or he could vote for the budget and when the individual items come forward, not approve them.

Councilman Blair said that they had a number form impact fees of \$212,000 for a restroom. He asked if they had an idea of what they were using the kiosk money for, and if they could use it for that. Mr. Woodfill said that the kiosks money at the Peavine this year was around \$9,000. It would take 20 years to pay for such a restroom. He said that the other fees went into the general fund and helped offset the costs of maintaining the parks. He said that the Peavine kiosk was the only one set out separately.

Ms. Horton said that they had not factored in the annual pass. They used to sell about \$3,000 worth a year; now it is over \$20,000. They could see the usages there. It would probably be around \$10,000.

▶ **TRANSIENT LODING (BED) TAX FY12**

Mr. McConnell said that the Bed Tax was a restricted fund generated from a tax on transient (motel/hotel) stays. He said that the handout gave a snapshot of where they were at. They asked the Tourism Advisory Committee (TAC) for a recommendation and the TAC also forwarded a memo to the Mayor and Council with particular comments on why they made the recommendations they did. He said that the fund is discretionary, as long as the meet the intent of the ballot question.

He said that there have been a lot of questions on the interpretation of the ballot language. It will depend a large part on that and from what viewpoint they are looking at items. He said that his last comment is that the third and fourth columns on the handout would deplete the fund. He said that it could be argued that the fund was created to be expended, or they could be looking at reducing some of the line items because the current balance would have been spent down.

Councilwoman Suttles said that she would like Mr. Prince to address how the Committee came to their recommendations.

Mayor Kuykendall noted that the number generated from the 3% bed tax would also be associated with a 2% sales tax.

Councilwoman Suttles said that there seems to be a lot of discussion on whether use of the bed tax funds would be appropriate on maintaining the parking garage. Mr. Prince said that when the TAC looked at this issue they looked at the ballot language which focused on "tourism promotion and recreation development." The letter the Council received from the TAC indicated how they viewed some of those expenditures and they had a difficult time seeing how the garage fit into the ballot language.

Mr. Prince said that it was similar to the Elks Theater. They all agree that it was an important asset to the community and the tourism promotional efforts, however they did not support funding it as it had its own source of funding and should self-sustaining.

Councilman Lamerson asked if it would help support tourism if they shut the parking garage. Councilwoman Linn said that she did not think that anything would happen if they shut down the garage. Councilman Lamerson said that there was more than one way to promote tourism and it was the Council to decide what the definition was. The ballot language was written loosely and was not restrictive which left a measure for interpretation by the sitting council.

Mr. Kidd agreed. He said that they have looked at the issue. If they read it narrowly it could be just advertising, but historically there is a lot of discretion in

how the Council applies it. He said that there needs to be a rational nexus, such as showing that the garage assists in promotion of events on the weekends.

Councilwoman Linn asked how many days a year they charged a fee at the garage – 29 out of 365. She said that if they were going to do it without a direct impact perhaps they should have two additional officers on the weekends and pay for that out of the bed tax.

Councilman Hanna said that it does come down to interpretation and review and there is a difference of opinion. He asked who makes the decision on the interpretation. Mr. Kidd said that every year when the Council goes through their budget they interpret, understanding that there needs to be a rational nexus, or a legitimate basis to defend their decision. He said that Councilwoman Linn's point is they do not want to get too far.

Councilman Blair said that of the things could be subjective. He could look at the Fourth of July as being related to tourism, but in looking at the parking garage if he were to come visit and park there, and there is excrement in the garage, he would probably not come back.

Councilwoman Lopas asked if the \$67,000 was the total amount of what the garage was costing them. Mr. McConnell said that they discussed that with the TAC. The \$67,000 has two parts to it; 1) the projected operating deficit for FY12 and 2) an accrued deficit of \$29,000 from prior years.

Councilwoman Lopas asked if they had not always been paying for the garage out of the bed tax. Mr. Fenech said that they did in the early years. They had some very fortunate incidents with filming companies and a cell tower that paid a lot, where they actually had an excess of funds. Subsequent to that in the FY11 a local business client that had rented 40 spaces had to drop out, leaving about \$17,000 short and that along with the combined costs for utilities and maintenance continuing to go up, they had a deficit.

Councilwoman Lopas said that she believed they need the parking garage and should use some percentage of the bed tax in there. She said that it seems to balance out to about 25%. Perhaps they could continue to have 25% of the bed tax going to the garage, or some formula.

Councilman Lamerson said that he agreed with some of what Councilwoman Lopas said, but it goes back to the word "promotion" and back to what the City Attorney said regarding the promotion of tourism in different ways. He said that their job as the Council was to prioritize expenses based on what was most critical at a specific point in time. He appreciated the TAC's recommendations and hard work they did, but it did not mean he had to agree with all of them. They were elected to make decisions based on what they think is in the best interests of the citizens. With limited resources he will always put basic services first.

Councilman Blair said that if they had a courthouse plaza that was crushed glass instead of grass, people would not come. All of those things make a difference on who comes to the area.

Councilwoman Suttles said that it was the hotels/motels that collect the bed tax and it was that group that looked at this and made recommendations. Mr. Prince said that it was important to mention is that on a national basis, 55% of bed tax would go to tourism promotion. He said that there is a major difference between tourism promotion and product. He said that one of the issues they have is that they have a lot of events, yet they are running around 50% occupancy. The question is how to fill the hotel rooms out of season as well. He said that when the TAC looks at how the funds should be spent they looked at it as an investment.

Councilwoman Suttles said that people have to stay the night for the City to be able to collect the bed tax. She has been told there is a difference between day trips, but they still use the City's services, etc. She said that they still get an income from the day trips. Mr. Prince said that they do and they were not saying that day visitors were not important, but the longer they stay in town the more they spend. That was why they put the focus on overnight visitors.

Mayor Kuykendall said that if they did not have the 3% they would not have the other 2% that feeds the general fund. Looking at the overall sales tax revenue, most say about 55% of the sales tax comes from residents of the City. The other 45% comes from sources other than residents. If they did not have that additional sales tax they could not have police and fire protection. He said that they do depend on sales tax and the tourism, and outside customers are important to them to have a general fund.

Mayor Kuykendall said that his belief was that the 3% should be spent according to those people that collect it; the City will spend the 2% they way they would like to spend it. He appreciated those that collect the bed tax and appreciated their input on where to best spend it.

Councilwoman Suttles asked, with that being said, how they want to attack the issue. Mr. McConnell said that from a budget standpoint, when they bring the tentative budget forward for approval that would establish the expenditure limitation. When they talk about this fund, they were interested in the limitation. If the Council was comfortable with the \$656,00 they were okay to bring that to the tentative budget, and the Council could continue discussion in the future on how to spend those funds.

Councilman Lamerson asked what was actually collected in bed tax for last year. Mr. Woodfill said that they were estimating that it will be close to \$500,000. He said that they have an estimated balance if %\$128,844 coming into the FY12. He said that the tentative budget deals with the overall expenditure limit. They can

proceed from that today, but before they put out the final budget document it would be nice to know where that money will be spent.

Councilwoman Suttles asked if they could set up a workshop for further discussion. Mr. McConnell replied that they could. It was decided that a special workshop would be scheduled for May 31. Mr. McConnell noted that some of the recipients of the bed tax live on the edge, so they sooner they have an idea of where their funding may be from the City, they better it is for them.

#### ▶ OTHER SPECIAL REVENUE FUNDS

Mr. Woodfill said that because of the amount of some of the gifts received in the library they will have to do a budget appropriation resolution with the 6/14 tentative budget adoption. Next year they are putting in the whole amount in case any of the parks/recreation, police, library, etc. decides to spend funds received as gifts.

#### ▶ POTENTIAL GRANT FUNDS

Mr. Woodfill said that with the way the budget law is written they need to identify revenue sources. If they do not budget, then cannot spend them if they are received. Mr. McConnell explained that they were creating an appropriation authority. Mr. Woodfill added that spending would not happen unless the grants were assured.

Mayor Kuykendall asked how they anticipate where funds would come from for the City's share of grants. Mr. Woodfill said that they anticipate it coming from the CIP part of the general fund.

#### ▶ DEBT SERVICE FUNDS

#### ▶ ENTERPRISE FUNDS

#### ▶ WATER FUND

Mr. McConnell said that they have issued a lot of debt, which was not a bad thing. A lot has been through the water and wastewater fund. It has been a good time for issuing debt because of the low 3% to 4%, but they were not projecting issuing any more debt in the water fund for FY12.

#### ▶ WATER FUND CAPITAL FY12

Councilwoman Suttles asked about the Big Chino Water Ranch modeling and monitoring. Mr. Woodfill said that it was in the budget in order to move forward. Mr. McConnell said that it would be beneficial to have a discussion of Proposition 401 and they anticipate a second workshop. His sense is that they would use the

monitoring contract as an example for the application of Proposition 401 which would then provide Council additional information for proceeding with the monitoring contract. The agreement with SRP is close to being final, and proceeding with it would require that discussion and a comfort level. Mayor Kuykendall asked if that could all be done at one workshop. Mr. McConnell said that it would probably require a separate workshop.

Mayor Kuykendall said that when they developed the water model long range plan they were at a growth period and the General Plan reflected that. He asked if there were any components of the model that depended on that continued growth to make the entire model work as it should. He asked if there was a problem with there being no growth.

Mr. Nietupski said that the water model did look at land use and potential densities that could be developed on those nodes of property and that was the approach used. It also looked at system capability and service areas and defined deficiencies that they do not have. It was a large scale view of the whole system going forward based on land use and also meeting the needs and addressing deficiencies. It is that same process they would use to update that model. He said that they have already done some work to identify areas. When they have had personnel changes in the water department they have some things not included in the 2005 model so it will be contemplated as the General Plan goes forward and those changes are made.

Councilman Lamerson said that having been on the General Plan committee the last time, they made two contemplations—build out of 73,000 and build out of 52,000 with potential for a new water supply. Mayor Kuykendall said that there was no conflict.

Councilwoman Suttles asked for clarification on the arsenic treatment item. Mr. Nietupski said that the number reflected completion of the area in Chino Valley for fencing and enhancement to the appearance that were required. Mr. McConnell said that this was not a step toward constructing a new large facility. Mr. Woodfill said that arsenic treatment is in the operational budget.

**▶ WASTEWATER FUND**

**▶ WASTEWATER FUND CAPITAL FY12**

Mr. Woodfill said that Items 156 and 157 were both the WIFA loans already approved by Council. Mayor Kuykendall asked if the increase in operating expenses would be absorbed by the rate increase. Mr. Woodfill replied that they would. He said that the enterprise funds are accounted for as a business. When they put them in a budget they including the principal and interest in the budget line item.

Councilman Hanna asked about Item #39, aerial imaging, and whether that was the same item Councilwoman Linn mentioned earlier. Mr. Woodfill said that it was the same project; it was split between all of the different funds as they all use it. He said that the \$265,000 included this amount as part of it comes from the flood district.

Mayor Kuykendall said that they have been seeing repairs at the Sundog plant. He asked if they have capacity for additional growth there in excess of the juvenile facility. Mr. Nietupski said that at some point the City will be faced with expanding Sundog to meet potential service requirements within that basin. The capacity there is about half of what it was designed for in 1989. One of the elements they talked about was further analysis of conceptually a centralization of facilities and whether the City would be better served by having one facility in the airport area that did wastewater treatment. It would not eliminate Sundog, but would reduce the treatment, and make it more of a collection system.

**▶ SOLID WASTE FUND**

**▶ SOLID WASTE FUND CAPITAL FY12**

Mr. Woodfill said that there is no longer a citywide vehicle replacement fund. The enterprise funds will budget separately, such as in this fund.

Councilman Lamerson asked why they were projecting a 1.1% revenue reduction. Mr. McDowell said that it was a little from the tipping fees, a little from the census. Some of the legislation allowing for privates to come in reduces the amount going across the tipping floors. He said that they had to change their ways to get more customers.

Councilman Lamerson asked, understanding that the City owned the transfer station, if they were being compromised because of the privates coming in. Mr. McDowell said that they had a healthy fund, but they were challenged. They were a rate-based enterprise fund. They should be looking at raising rates, but it is a bad economy and he believes they can balance without raising rates. That was what they were going to try and do.

Councilwoman Linn asked why the expenses were going up while the privates were coming in. Mr. McDowell said that they were all small things, but mostly fuel. He said that he spends over \$300,000 a year in fuel.

Mayor Kuykendall said that they were led to believe that the City lost about \$200,000 annually in fees with the private haulers coming in. He asked if the City had increased their rates. Mr. McDowell said that they were seeing some of the fees. He said that the impact is in the reduced tipping fees. The commercial trucks are not in the solid waste fund. They have a transfer station, solid waste,

recycling, residential and commercial. They would have to break it out in the commercial fund.

Mayor Kuykendall asked if there was an increase in residential. Mr. McDowell said that there was as they started providing just outside City limits to those connected to Prescott. The more revenue they can bring in to the City, the better rates the residents will have. The rates outside are offsetting those inside.

▶ **SOLID WASTE FUND CAPITAL**

Councilman Blair said that he thought last time the Household Hazardous Waste Day was split between the City and County. Mr. McDowell said that the last time City spent \$60,000. They had an IGA with Prescott Valley (\$10,000) and Yavapai County (\$3,000). This year the City has taken on the burden of it all.

▶ **AIRPORT FUND**

▶ **AIRPORT CAPITAL OUTLAY/GRANTS FY 12**

Mr. Guice explained that the environmental assessment dealt with the runway extension. Mayor Kuykendall asked if they were moving \$195,000 from other sources into this fund to pick up the operating deficit. Mr. Woodfill said that was correct. Mayor Kuykendall asked if the City's match on grants were charged to the general fund. Mr. Woodfill said that was correct; that was why they had a policy on it.

Mayor Kuykendall asked if the policy at the airport was to absorb the City match with the General Fund, but at the Golf Course if there was an operating deficit they carry it forward. He said that it was not a level playing field. Mr. Woodfill said that the airport was related to capital.

Mayor Kuykendall asked why those accounts were not created equal. Mr. Woodfill said that it was capital. The policy was related to the airport and it was an airport discussion.

Mayor Kuykendall said that the Golf Course was about \$3 million in the whole. He asked Mr. Woodfill if he knew what the loan carry forward would be if the airport fund was accounted for the same as the Golf Course. Mr. Woodfill said that he did not.

Councilwoman Suttles said that when Horizon was in Prescott the City was to get some money if they met a certain number for enplanements. Mr. Guice said that they were still waiting for Congress to do the appropriations. The City did meet those enplanement numbers. He did not know if those funds would be coming.

Councilwoman Linn said that both the golf course and airport were enterprise funds. She asked if that was something they should look at as a policy decision. Mayor Kuykendall said that the public perception is where they get beat up. He said that more people probably use the golf course than the airport.

Councilwoman Lopas said that the golf course has ways of making money; they will never get back the airport expenditures.

#### ► GOLF COURSE FUND

Councilwoman Linn said that she talked with Mr. McCarley before the meeting on why they were seeing a 29% drop for rentals and he explained that it was more of a realistic number today.

Mr. McCarley said that they do have the potential of breaking even out there; they were getting close. That was job #1, and ideally they will start servicing the debt. When he came on a year ago they were looking at expenditures and revenues. They have made some good progress on expenditures because management can control that. They have reduced staffing, particularly in the summertime. Last November they laid off 16 people and have not brought them back. They will be bringing back maybe two or three.

He said that where they have fallen short is in the revenues. They dropped their fees thinking it would help stimulate more rounds, but they found that the rounds were the same. He said that his approach is to figure out how much it will cost to run it and set the revenues to meet that.

He said that they do not collect sales tax, which amounts to about \$100,000 a year. He said that the City backs out the 7-8% sales tax and they eat it. One of the potential things they were thinking of doing was collecting sales tax like everyone else in town.

He said that Don Prince has been helping with tourism promotion and in his view that is where they need to place their emphasis. He said that they have a great product.

Councilman Blair asked if they charge sales tax on goods. Mr. McCarley said that they did; just not on green fees. Mr. McConnell clarified that they were paying sales tax on the revenue collected, but it was not tacked on to the total.

Councilman Blair said that years ago they talked about adding advertisements on the golf carts and he asked why they stopped that. Mr. McCarley said that currently they advertise on the tee signs. He added that the newly-formed Friends of Antelope Hills have a lot of good ideas and that was one of the ideas they mentioned.

► **PARKING GARAGE**

Councilman Hanna asked if they had discussed putting the operation of the garage out to the private sector. Councilwoman Lopas said that they would have to have meters as well to make it work properly.

Councilwoman Linn said that she represented in the City on the Prescott Downtown Partnership. In the initial agreement there was a relationship established between the City and the County to have the jurors park in the garage. She said that there was no following up so before Ms. Hadley left she contact the courts and were given a 30-day warning. That will relieve more space on the City streets.

Councilwoman Suttles said that each year this comes up. She asked if it could be used for something other than parking, other than the 29-30 days that people pay to park. Mr. McConnell said that there are probably some things that could be done. They would have to be done on the ground floor.

Councilwoman Linn said that one of the things they did in Phoenix was assess their needs. She said that although the needs may be different here, in Phoenix they developed a first floor child care center. She said that she would bring this issue up to the PDP and see what their thoughts are on it.

► **INTERNAL SERVICE FUNDS**

Mr. Woodfill said that in the Self-Insured Fund, there has been a change this year on how the outstanding claims from previous years will be handled. It was decided that outside counsel would be used for those and because of that any of those costs associated with outside legal need to be part of the reserve, and to get into the reserve it has to hit the expenses. He said that they will be bringing a reappropriation resolution to the Council on June 14.

Councilwoman Suttles asked where they would be funding the two firemen from. Mr. Woodfill said that they were still working on that.

Councilman Lamerson noted that even if they pass the budget, they were not set in stone until each item is approved by the Council. Mr. Woodfill said that was correct; individual projects would have to come back before Council.

► **UPCOMING BUDGET PROCESS**

Mr. Woodfill reviewed the upcoming scheduled for the budget process. Councilman Blair suggested that at the 5/31 Workshop they also discuss the policy on \$20,000 for staff to be able to approved expenditures.

▶ **TOTAL CITY BUDGET**

Mr. Woodfill summarized that the total budget was \$159,559,165, up 4.3%. He said that the operating was up 4.5%; capital outlay was up 4.2%. The increase was mainly due to debt service on capital financing.

Councilwoman Suttles asked if at the 5/31 Workshop they need to further review the list of Unfunded Projects. Councilman Blair said that he would like to see a recap of where they were today at the workshop as well.

▶ **UPCOMING BUDGET PROCESS STEPS**

Mr. Woodfill said that the tentative budget will be presented at the June 14 meeting.

Mayor Kuykendall said that there were several members of the Council that want to look at personnel costs in various areas. He said that they would collectively get those requests together so they have time to get the information together.

2. Adjournment

There being no further business to be discussed, the Budget Workshop of the Prescott City Council held on May 17, 2011, adjourned at 3:47 p.m.

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MARLIN D. KUYKENDALL, Mayor

ATTEST:

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ELIZABETH A. BURKE, City Clerk