

PRESCOTT CITY COUNCIL
JOINT SPECIAL MEETING/WORKSHOP
TUESDAY, OCTOBER 4, 2011
PRESCOTT, ARIZONA

MINUTES OF THE PRESCOTT CITY COUNCIL JOINT SPECIAL MEETING/
WORKSHOP held on October 4, 2011, in the CITY HALL COUNCIL CHAMBERS
located at 201 SOUTH CORTEZ STREET, Prescott, Arizona

◆ **CALL TO ORDER**

Mayor Kuykendall called the Joint Special Meeting/Workshop to order at 3:00 p.m.

◆ **INVOCATION** Church of Nazarene

Chris with the Church of the Nazarene gave the invocation.

◆ **PLEDGE OF ALLEGIANCE** Councilman Blair

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

◆ **ROLL CALL:**

PRESENT:

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

ABSENT:

None

SPECIAL MEETING

- I. Approval of three revocable license agreements for parking and access to the Constellation Trail.

Joe Baynes gave the brief background on this project. He said that in 2009 the City purchased 80 acres of property in the Dells known as the James property. In 2010 the Parks and Recreation Department began construction of additional recreation trails in the northern Granite Dells region with this open space. This three-mile trail grouping, known as the Constellation Trail, is part of the City's Mile-High Trail System. Construction took many hours of time donated by various groups to complete, including 2,000 hours by the City trail volunteers (aka the Over-the-Hill Gang), 150 hours by Prescott Mountain Bike Alliance, and much

assistance from the Prescott Police Department's Community Service Program and Yavapai County's Juvenile Probation Program.

The site also features a recently completed Eagle Scout project by Cody Walker of Troop #10 that is a memorial to the airmen who perished in a plane crash at this location in 1959. Dedication of the memorial and trail system is planned at the site on October 8, 2011. Surviving relatives of the airmen are planning to attend, some coming from as far away as Florida.

The trail system has already been receiving much use; however, parking within the SR89 right-of-way is not desirable from a safety standpoint. Three private property owners, James Revocable Trust, James 110 Investment LLC, and the George Phippen Memorial Foundation, are generously granting revocable license agreements to provide parking and access to the City trail. These will enable parking on the east side of SR89 near the Phippen Museum, with safe passage under SR89 utilizing a large concrete box culvert.

The roundabout project on SR89 at the Phippen Museum for which design will soon be commenced, will include a permanent parking area on the west side of the highway, enhancing the trailhead visibility and safety. Mr. Baynes then read the plaque that will be installed at the site.

Mayor Kuykendall asked about the location of the roundabout. Mr. McConnell said that it would be a little offset to the west from the Phippen. It is in the beginning stages of the design and would provide a leg to the East, as well as a leg to the West to access a permanent parking lot on the west side of SR89 to provide access to this trail.

Councilwoman Lopas said that she would like the public to know how much they appreciate the Parks and Recreation Department, and as past Chairman of the Open Space Committee, how happy the open space people were about this.

Councilwoman Suttles asked Mr. Walker to come forward. She said that he should be proud of what he did and she wanted to recognize him for the work and all of the involvement that it took. She said that it would be appreciated for years and years to come. Councilman Hanna agreed, stating that Mr. Walker had done an excellent job.

Daniel Mattson, Prescott, questioned why they would put in the expense of a roundabout. He said that people are falling in love with roundabouts, but he did not think they need it and he does not like them. Councilwoman Lopas noted that it was a state highway.

COUNCILWOMAN LOPAS MOVED TO APPROVE LICENSE AGREEMENTS WITH THE JAMES REVOCABLE TRUST, JAMES 110 INVESTMENT LLC,

**AND THE GEORGE PHIPPEN MEMORIAL FOUNDATION; SECONDED BY
COUNCILMAN LAMERSON; PASSED UNANIMOUSLY.**

II. Adjournment.

There being no further business to be discussed, the Special Meeting of the Prescott City Council held October 4, 2011, adjourned at 3:12 p.m.

WORKSHOP

I. **PUBLIC COMMENTS**

Mayor Kuykendall called the Workshop to order at 3:12 p.m.

A. Introduction of new businesses.

Dyan Jones of the Prescott Chamber of Commerce introduced the following new businesses, who each presented information:

- ▶ Bob Cihan, Farmers Agency, 342 S. Montezuma
- ▶ Whispering Pine B&B, top of Copper Basin Road
- ▶ Northern Arizona Leatherworks, Sam Hill Warehouse area

B. Recognition by the Eagles Board of Directors of City staff for work performed at Arizona BestFest.

Steve Gottlieb, representing the Eagles, said that the Eagles got the contract to operate the BestFest and one of the things they wanted to do was point out some of the facts that occurred. He said that the event came to town and left town, and it was like it never happened. That was because of Richard Tyree in Solid Waste and Dean Thompson in Streets, along with their crews. He also thanked Doug Kramer, Julie McGirk, Jeff Hemphill and Tim Fletcher, as well as Eric Kreiwer and Kristy Gagnon in Fire.

He said that there were four people that stood out in his mind—Joe Baynes, Michelle Stacey, Becky Garvin and Don Prince. He said that they need to realize what Don did to help get this accomplished.

He said that they wanted the Council, and the public, to be proud of their City staff. A lot of times they will hear the bad and never the good. He said that Richard Tyree and Dean Thompson make outdoor events in Prescott happen.

Councilwoman Suttles said that she did not think that those sitting on the Council give their employees enough recognition. They accept what the employees do as their job, but they need to be recognized. She said that this was the biggest thing the City of Prescott has done and she thanked Mr. Gottlieb, not only for their work on the BestFest, but also for bringing back the recognition.

Councilman Lamerson said that he did not think the BestFest would have been as successful in the community without the Eagles. He said that they were recognizing the City employees, and he would like to also recognize the hundreds of volunteers.

- C. Report by Kate Hawkes and Elisabeth Ruffner on the play *Fred & Mary* produced by the Elks Opera House Foundation.

Removed from agenda.

- D. Report by Elisabeth Ruffner re Open Space Alliance.

Elisabeth Ruffner, representing the Open Space Alliance of Central Yavapai County (OSACYC), said that she first wanted to congratulate everyone on their appointment and reappointment to the Council. She said that in 1898 the region received the nation's second preserve status from the federal government—the Sierra Prietas west of town. It was to preserve the forest and protect the timber and watershed. Since then they have been conscious but not directly aware of protecting that.

She said that during the City's centennial they began looking at their material surroundings and in the 1970's they started thinking about the protection of those surroundings. That was when the OSACYC was organized, in the same Council Chambers they were in today. She said that she was again President of the OSACYC and they are moving forward with a tremendous list of achievements produced by City staff. They have prepared a brochure which is still under revision.

She said that the OSACYC will hold its 14th Annual Meeting at the newly-named Centennial Center on October 20, 2011, at 5:00 p.m. Mr. Lawrence is producing a PowerPoint and they will produce the folder that will list their achievements. She hoped to see everyone there.

II. PROCLAMATIONS

- A. Week of October 3, 2011, as 90th Anniversary of Soroptimists International Week.

Councilwoman Suttles read the proclamation and presented it to Shelly Gillian, Marilyn Aden and Julia McKenna Johnson of the Soroptimists Club, who thanked the community for their great support over the years.

B. October 22, 2011, as *Big Brothers Big Sisters Day*

Councilwoman Lopas read the proclamation and presented it to Yvonne Rogers of Big Brothers Big Sisters, who she said she has worked for over the past 24 years, and she introduced Paul Baskin and Rick Roberts.

C. October 29, 2011, as *Toastmasters Day*

Councilman Scamardo read the proclamation. No representatives were present.

III. PRESENTATIONS

A. Presentation re FEMA (Federal Emergency Management Administration) floodplain maps update.

Mr. Nietupski said that two years ago the Public Works Department began an effort to update the FEMA floodplain maps and Mr. Toth, the City's Drainage Engineer, would give them more details of the project which is underway. Mr. Toth presented a PowerPoint presentation that addressed the following:

- ▶ CITY OF PRESCOTT FEMA FLOODPLAIN MAP UPDATES
- ▶ PRIMARY FUNCTIONS
- ▶ PRIMARY FUNDING

Councilwoman Suttles asked how often the FEMA maps were updated. Mr. Toth said that they were prepared 30 years ago and this is the first time. Councilwoman Suttles asked why that was the case. Mr. Toth said that when a city develops the position of drainage engineer one of the initial things was that the FEMA maps were old and needed to be updated.

Councilman Lamerson asked if there were potential consequences with regards to engineers relying on FEMA maps that lack reliable information. He said that it may be that at some point FEMA may be responsible for issues that different communities deal with.

Mr. Toth said that they do not rely on the maps. If a development comes in and they know that the floodplain is deficient, it is incumbent on the engineer to do a reanalysis and then they do a Letter of Map Revision—it

would come through the City of Prescott. The developer would have to upgrade within a new subdivision. He continued that FEMA is strictly an insurance program; it is not a design tool.

- ▶ FLOODPLAIN MAPS
- ▶ MAP UPDATES
- ▶ STORM FLOW ANALYSIS
- ▶ DETAILED ANALYSIS COMPLETED 2010 - FEMA REVIEWING
- ▶ UPDATED 2011 SUBMITTAL TO FEMA PENDING – NOVEMBER
- ▶ CONVERSELY – EXPANDED AREAS
- ▶ ADJUSTMENT
- ▶ EXISTING
- ▶ FEMA SCHEDULE

Mr. Toth noted that the City would have several open houses held throughout the City and each one will be manned with people to provide information specific to property. Mr. McConnell noted that they have also asked FEMA to participate in the open houses.

- ▶ PARTNERSHIP WITH YCFCD
- ▶ DRAINAGE PROJECTS DEVELOPMENT
- ▶ FY2011 MASTER PLAN STUDIES
- ▶ FY2012 CONSTRUCTION
- ▶ FY2012 PROPOSED DESIGN & CONSTRUCTION

Councilwoman Lopas thanked staff for the presentation. She said that she always cautions buyers that are looking at property located near a creek. She also asked staff to contact the Prescott Area Association of Realtors with information on the open houses as they are often the first person that someone new to the area has contact with.

Mr. Macafee, 615 Robinson Drive, said that he lives just outside of the City limits. On the side of his property there is a large culvert pipe that empties into a rock waterfall that comes to his driveway, under the

driveway into a culvert and on the other side it is rock that accommodates water. He said that because of the new houses there has been a tenfold amount of water and it washed away all of the rock on the side, and washed away the silt on the mountain. He said that when it rains they get stuck and cannot get out of their property. He and his wife both have medical conditions and they are at risk. Mayor Kuykendall said that they would have someone come out and look at his property.

B. Budget/Finance Kick-Off.

Mr. McConnell presented handouts to the Council. He said that it was a fairly extensive PowerPoint presentation and he would also ensure that they would have it available on the City's website for the public.

▶ CITY SERVICES AND ENTERPRISES

Mr. McConnell said that it became apparent during formulation of the current year's budget that there were some challenged funds, primarily in the General Fund. He said that the presentation would include some of the information presented during the budget process; then they would head off with new material and set the stage for a series of upcoming workshops.

He said that in the budget workshops of May and June it was clear that the challenged funds have been screwed down so tightly that there is very little room to go. They need to have a serious discussion, and public education process, so everyone was on the same page. He said that it was not going to be sufficient to call a budget workshop of May every year and spend a few hours to go over slides that represents a \$160 million budget. Through a series of workshops they want to focus on achieving outcomes, and he said that was the key word for FY13 and beyond—"outcomes."

▶ A SYSTEMATIC APPROACH

Mr. McConnell said that at the programmatic level the Council's role is to approve policy. Over the years the City has become accustomed to discretionary services. If they are having funding issues, those discretionary services need to be validated.

He said that a good example was the clean-up from the BestFest. He said that they had a level of service that anything that hit the pavement would be cleaned up immediately and the day after the event ended the downtown area was clean. He said that a different level of service would be to say that they would have everything cleaned up within three days of the event. He said that they would not be looking at the organization which

is necessary to delivery those outcomes; that was at a lower level. This was at the programmatic level.

▶ TWO PHASES OF ANALYSIS & IMPLEMENTATION

▶ SCHEDULE

Mr. McConnell reviewed the schedule, noting that it was quite ambitious and would include a series of workshops over the next three months to provide information to the Council, the public and to the staff about what departments they have, what they do, what services they provide, etc. He said that they were trying to start this at the policy making level, but the key objective of the process was an unprecedented educational opportunity for the community to really get into what constitutes the City budget, what services they provide, learn a lot and have a record of that through the presentations and material to be posted on the web. The outcome will be formulated into a Budget Action Plan in January 2012 which would be input to the formulation of next fiscal year's budget, and it could include things needing to go to the voters.

▶ STRUCTURE OF CITY FUNDS AND BUDGET

Mr. McConnell reviewed the General Fund, the primary operating fund of the City. He said they have the Special Revenue funds that are legally restricted as to purpose, such as water rates, and Debt Service funds for which the revenues are tied to servicing debt incurred.

Councilman Lamerson said that he heard that when they borrow money to take care of a situation, they also obligate the revenue that comes in the rates (users fees) and those are the dedicated funds. He asked Mr. McConnell to explain that further.

Mr. McConnell said that was correct. There are different types of municipal debt, such as debt incurred, pledging specific revenues from sources, such as the wastewater treatment plant repaid through the sewer charge on the utility bill. A second example is General Obligation bonds for which there is no specific revenue. The good faith and credit of the City is pledged.

Mr. McConnell said that an "enterprise" fund in the public sector did not mean the same thing as an enterprise in the private sector. In the public sector, there is a separate accounting revenues earned, expenses incurred, and a net income identified. Government does not usually operate an enterprise fund on a "no holds" basis. From the private enterprise side, when the City operates enterprises, there are often concerns and comments; they see it as an unfair advantage. There are

differences, and they may consider calling it something else. Councilwoman Suttles asked if they would be doing that. Mr. McConnell replied that they would.

▶ MUNICIPAL REVENUE STRUCTURE IN ARIZONA

He said that there is a municipal revenue structure in Arizona and if they are going to have a serious discussion of budget and finance at the municipal level there are only certain tools which are available. They do not have the full range of tools. The way these tools may be used varies from time to time.

▶ CITY OF PRESCOTT LOCAL REVENUE SOURCES

▶ LINKAGES TO U.S. AND STATE ECONOMIES

Mr. McConnell said that historically the City has relied upon grants. They need to be ready for a substantial decrease in federal and state grants. Revenue directly translates into the ability to provide services so if there is not as much money and it is a public safety grant, then it would have an implication on the City's public safety levels of service, and if the City wants to retain that level of service, and they have only have so much money in the pie, then something else is going to have to give. They would have to get more money from somewhere else or some other service has to be reduced or eliminated.

Councilwoman Suttles asked if they get any type of information as to who was still in and would was out as to federal grant funding. Mr. McConnell said that there are grant opportunities that come upon continuously. During the City budget process the City budgets a substantial amount of grants in anticipation that some level of grants will come in. They may budget twice as much as what actually comes in.

▶ REALITIES OF THE REVENUE STRUCTURE IN PRESCOTT

Mr. McConnell said that cities in Arizona are heavily reliant on sales tax. They hear criticism over and over that the City is overly reliant on sales tax; they need to reduce that reliance and do something else. The reality is that cities in Arizona are heavily reliant on sales tax; it is a major tool and in terms of how it relates to the City's overall budget, that is where the money is, state shared revenue.

He said that City residents only have so much to spend. They can build all they want, but if there is only so much money that can be spent, there is only so much sales tax which is going to be generated. At the present time revenue enhancement is through growth and tourism development.

Growth is accompanied by costs of service, however, and an adverse economy such as the present one will not enhance revenue. In an adverse economy costs are going to outstrip the revenue being collected. People are spending less, getting less, revenue is not going up, but they have fixed costs.

Mr. McConnell said that the City's permitted capacity to generate additional revenue from property tax is limited—only \$80,000 was available. Over a number of years the City reduced its reliance on property tax, the property tax level went down, and in the meantime state law changed and the City got penalized, or locked in at the lower level.

He said that they wanted to do a real example of what new, clean, high-tech jobs might be. A lot of people say they are the magic bullet.

▶ HIGH-TECH DEVELOPMENT AND THE GENERAL FUND

They created a sample analysis that had general assumptions of 1) \$25 million high-tech manufacturing facility; 2) they create 300 new high paying jobs created (\$75K average); and 3) products manufactured and distributed outside of the City.

They used two models. The first was created by the Finance Department and in discussion with Dr. Danforth he suggested they also use the Federal Reserve model, which has a tool for local governments. In both cases consistent results were obtained.

▶ THE ECONOMIC BENEFIT

He said that there would be a one-time revenue of \$327,600 and General Fund revenue of \$163,800. This would produce \$48,000 a year in General Fund revenue. He said that this should be a wake up call. Not that they should not be trying to attract high tech, but the message is if they have a General Fund and are looking at a revenue source for the General Fund, high-tech is not going to solve the problem.

▶ PERSPECTIVE ON THE EXAMPLE

He said that there are other benefits about a \$25 million facility and that type of job creation. The example was only to quantify an estimated direct benefit to the City's General Fund for the purposes of the presentation.

He said that regardless of the impact on the General Fund, an economic development project like this may be beneficial if it can really stand on its own. In comparison, a 3,500 sq. ft. convenience store would generate one-

time revenue of \$26,000 and annual revenue of \$17,000 to the General Fund. The relative costs of service for the high-tech development would be much greater than for the convenience store. He said that the comparison was obviously between very different project types; however, it underscores the fact that the municipal revenue structure in Arizona is sales tax and state shared revenue oriented.

Councilwoman Lopas asked if the examples included what people spend, with new employees. Mr. McConnell said that it goes to various levels of who was working there, where they live, what the occupancy rate is, housing rate, disposable income, etc.

- ▶ FUNDAMENTALS TO CONSIDER
- ▶ CITY BUDGETS IN RECENT YEARS
- ▶ PREPARING THE FY 2012 BUDGET – A REVIEW
- ▶ ACTIONS REQUIRED TO BALANCE THE FY12 BUDGET
- ▶ REDUCTION IN PERSONNEL FROM FY09-FY12
- ▶ SERVICE LEVEL REDUCTIONS AND IMPACTS
- ▶ MORE SERVICE LEVEL REDUCTIONS AND IMPACTS
- ▶ FUNDS WITH CRITICAL CHALLENGES

Mr. Woodfill briefly reviewed those funds with critical challenges; the General Fund, Golf Course, Airport, Parking Garage, Internal Service Funds (Fleet and Facilities).

- ▶ CHALLENGES ACROSS FUNDS
- ▶ CAPITAL IMPROVEMENT RESERVE

Mr. Woodfill said they have had a Capital Improvement Fund since the early 80's. It was originally established through the sale of property the City did not need for its operations. The funds were put into a separate fund, now a reserve, for one-time type expenses for facilities improvements and also economic development.

He said that the slide was a recap of the Fund's life. In the 1990's the City Council made a decision to start putting more funds into this for economic development and facilities-type projects with any surplus of sales tax that was collected over budget.

Over the years that have spent that money on a lot of projects, as noted on the bottom of the slide. They currently have \$5.6 million in the fund balance of the reserve, \$3.6 million of which was committed to fund internal loans, primarily the golf course. He said that \$3.36 million was for the Golf Course, so those monies are not available until those loans are paid back. They cannot spend it if they don't really have the cash. This fund also covers the grant matches in both governmental grants and airport grants.

▶ OTHER CHALLENGES

▶ GENERAL FUND

Mr. Woodfill said that the graph showed a good example of the source of funds for public safety and the fact that they do not correlate to the level of service.

▶ GENERAL FUND REVENUES

He said that the tax was made up of primarily sales tax, followed by franchise taxes, intergovernmental revenues and other minor revenues. He said that in 2011 they actually came in above their budget slightly at \$28.9 million. In 2012 their budget was at \$27.65 million.

▶ GENERAL FUND OPERATING EXPENDITURES

▶ DEFERRED GENERAL FUND CAPITAL OUTLAY/PROJECTS

Mr. McConnell briefly reviewed the capital projects being deferred. He said that they do not have the capital to fund a capital program and these projects are not funded through FY2017.

Councilman Blair asked if any consideration has been given to the City analyzing their properties, categories, and putting them up for sale to improve the revenue pot.

Mr. McConnell said that they have discussed that from time to time. Many of the properties are owned by the Water Fund, which would be restricted. The properties were purchase with Water revenues and the proceeds would go back into the Water Fund.

He said that more generally speaking, unless the City needed to have a fire sale, it would be imprudent to sell in the current market. If they can go through a process where they validate the services they are providing.

Councilman Blair said that even if they did not sell them and held on to them, they could develop them to generate revenues to supplement the General Fund. Councilwoman Lopas said that she went through the list and a lot of them are odd slivers that would have no value except for City use. Councilman Blair said that one example is when there is right-of-way in front of a property owner and that right-of-way will never be improved and the property owners are interested in buying it.

Mr. McConnell said that he was hearing in the comment a question which they will address, and which they should constantly keep in their mind about potentially being entrepreneurial. He said that they may not necessarily sell them, but find private-public partnerships through which they could derive revenues.

▶ AIRPORT FUND

▶ GOLF COURSE

He said that earlier Mr. Woodfill noted there was a \$200,000 loan to the Airport, but the Golf Course was more problematic. He said that they have two different sets of rules. He said that it goes into “enterprise” and what is an “enterprise” and what rules they apply.

He said that the City may pay certain expenses out of the General Fund to support the Airport, but not at the Golf Course. The accumulative effect is that the Golf Course, on the basis of the figures, is not a money-making proposition. There is an interfund loan to the Golf Course at June 30, 2011, of \$3.3 million. The unaudited FY2012 year ending showed a loss in the fund of 10% of expenditures, so there are some issues in the Golf Course fund, but it was not enough to say that they should get rid of it because it was not making money. That was a decision in itself. He said that they will have a presentation on the Golf Course because a community is more than making money; it has other things associated with it.

Councilman Lamerson said that the last time they did an economic impact analysis of the Golf Course they found that it was more than just collecting range fees. He said that there are a lot of people that come up from the Valley and that brings money into the community. He asked if it would be incumbent to have some sort of analysis performed on things such as the Golf Course or Airport.

Mr. McConnell said that there are more connections. There is a wiring together of different things, in looking at revenues and expenditures. If they have out of town tournaments that attract golfers and they pay bed tax and dine places and pay sales taxes, and that is not reflected in there.

He said that was a good point that it was not showing up on the balance sheet of the “enterprise” fund.

Councilman Scamardo said that he recently read an article about a Saturday and Sunday at Antelope Hills, showing how many people were from out of town. He said that it showed that on Saturday they did \$28,000 and on Sunday they did \$6,000, which goes to show where the indirect revenues are not being considered.

Councilwoman Suttles asked how they remove “enterprise” from the terms and still keep the books straight. Mr. McConnell said that there are indirect revenues and maybe they should be doing their accounting of these revenue funds so they more accurately describe what goes on when they have a golf course. It is more about who gets in the golf course and what they sell at the restaurant. Councilwoman Suttles said that it also is related to the airport.

Mr. McConnell said that they were going through a process. The first part is educational and they will identify things that need further thought. As they go on and talk about the Golf Course they will keep track of it and the end result of the whole series may be two pages of bullet points. One of those may be to restructure the way they financially describe the airport. That would be a whole project in itself. Again, they will have to constantly keep in mind the need to prioritize the relative importance of what all of the things are. They are not talking about one person or one piece of property. They are looking at the programmatic and the fund level. What they need to do is restructure so they more accurately represent the way Prescott’s economy and budget really works.

Councilman Blair asked if they would look at each section as an individual element, such as the garage, kiosks, charging on weekends, fleet maintenance. Mr. McConnell said that they could always do better and that was where policy would come in, paying attention to priorities. He said that if they have a \$1 million issue in the General Fund and the parking garage is a \$50,000 issue, they need to focus on the \$1 million issue.

- ▶ REVENUE AND POLICY TOOLBOX FOR DECISIONMAKING
- ▶ REVENUE TOOLS
- ▶ BREAKDOWN OF TRANSACTION PRIVILEGE TAX LEVIED IN PRESCOTT
- ▶ NEW LEVY OF TRANSACTION PRIVILEGE TAX ON RESTAURANTS AND BARS

Mr. McConnell said that if they had a new sales tax in the tool box of 1% for restaurants/bars it would generate about \$835,000 a year and would be restricted to the purpose of the hospitality industry. If the City is interested in growing tourism, and if the City is interested in being entrepreneurial, that would be a tool. The City may also consider something similar to the approach with Trader Joe's where the City would purchase land and enter into an agreement with a tenant who may buy back the land.

Councilman Lamerson said that the reduction in sales tax does not take effect until 2016, and that has had an effect on long-term funding. The tendency is to think that a lot of people coming to Prescott to enjoy Trader Joe's will be coming from the Verde Valley, Flagstaff, etc., and they may do additional shopping here as well.

Mr. McConnell said that this particular tax would require that any project accessing the hypothetical funding source would have to be oriented to tourism or it would be an inappropriate expenditure.

Councilwoman Suttles said that they talked about raising the bed tax before. She asked if that was restricted to only certain things that can be done with it. She said that Parks and Recreation is floundering and perhaps they would want to go back and ask the citizens how much they could stand.

Mr. McConnell said that those were all things being brought up which should be jotted down and brought back as they go through the series of workshops. He said that everything was on the table. Fundamentally they have to understand there are restrictions on different types of taxes.

Councilman Blair said that they were looking at increasing revenues for the General Fund, but asked if they had gone in reverse and asked if all of the jobs in the City were still legitimate jobs. Mr. McConnell said that they were starting to do that already, but it does involve a small expense.

Mayor Kuykendall said that using the bed tax as an example, and with the report they've received it showed 13 months in a row of a slight increase, looking at the 3% sometimes they do not realize there was an offset of 2% in sales tax as well. He said that the General Fund is increasing proportionately as a result of the increase in tourism and bed tax.

He said that the money generated as a result of an increase in sales tax has no costs involved in its generation as it is the same expense to collect the extra money. The money generated is 100% General Fund and he thinks that all of those things are going to be critical. He complimented staff for looking into the details.

▶ PROPERTY TAX

▶ TOTAL PROPERTY TAX RATES IN THE REGION

▶ SECONDARY PROPERTY TAX RATE

Mr. McConnell said that if the City decided to keep its secondary property tax rate the same, and not let it decrease when the lakes went off of the rolls, it would generate \$1.4 million for up to seven years. He said that if they are looking for tools to deal with the City's budget, there is a tool, but it would require voter approval.

▶ FIRE PROTECTION BY OTHER PROVIDER

▶ LIBRARY DISTRICT

▶ USER FEES

Councilman Blair said that they could not help but say they treat the golf course differently than they do a ballpark. They make the golf course pay a fee and the ballparks do not. Mr. McConnell said that was correct. There was a different set of rules. If he goes to Willow Creek Park and wants to play baseball with his son, no one collects a fee. If he goes to the golf course they have to pay for the carts, green fees, etc. He said that it is something from a policy standpoint that they pay attention to.

▶ POLICY TOOLS

Mr. McConnell said that another example is the fleet maintenance facility. There was a capital expense for that and a debt service, similar to the golf course. They are enterprise funds (not really enterprises) that have debt service that has to be covered through shop charges or green fees. Perhaps the Council would want to level the playing field and decide that capital expenses are paid and there is no debt service.

He said that there were core services of the City that they should be doing, such as the water system. In the future the City may want to put its water system out to bid. Someone would submit a great bid, but the citizens would then pay more and more. They have to be very careful and consider contracting out services. They should always look at whether to even talk about contracting of core services such as public safety, water, fire, etc.

Councilwoman Suttles asked if there were other departments they would consider contracting out for services. Mr. McConnell said that fleet

management was an obvious one. He said that they have a vehicle fleet and know what it costs to maintain them. They have a facility that could be occupied by a contractor to perform fleet management functions. Others would be the golf course, restaurant, Centennial Center, etc.

Councilman Blair asked if they had considered internal services such as legal. He said that a lot of times they have to go out for legal services. He asked what it costs to run the legal department opposed to contracting it out.

Mr. McConnell said that if they look at how public services are provided, there is a huge spectrum. In California there are facilities districts with an assessment collected. On the other end of the spectrum there are jurisdictions which contract out very little.

Councilman Blair said that they did the same thing with the sanitation department and found by doing that process they could do the same service cheaper for the citizens, but it was beneficial to do it to see that what they were doing was the right thing.

Mr. McConnell said that privatization is common in some places for utilities. He said that a buyer would come in with a lot of money and take over the system. From the “community” standpoint, they need to look further than just having someone take over the system. They need to consider what their rates may be in the future. Many citizens look to the City to be in certain services. If they privatize water and their water goes off, they will call City Hall.

Councilwoman Suttles said that when they get out of the five core areas they look at others, such as the Elks Theater. Right now they are in that business, but perhaps that is something that may end up being a private venture.

Mr. McConnell said that if the City, as being a means of last resort to rescue the Elks, bought a portion of it, and through the generous donation from the community and hard work of volunteers it was restored, and if there was an opportunity to convey that facility to someone else other than the City, and there were adequate protections to operate it as a first-rate performing arts center, then that is something that the City should be interested in, and in the minds of many it would be a success story.

► NEXT WORKSHOP – October 18 Police Department.

Councilwoman Suttles said that the workshop was very good and thanked staff for the information. She said that she was anxious to see where they

go next time. Mr. McConnell said that it has been a team effort with Mr. Woodfill, Ms. Horton, and Mary Jacobson as the steering committee.

Councilman Scamardo said that this was the first of a series of workshops and the new Council members would be seated before they were done. He would like to have the Mayor and Council encourage the newcomers to be available and attend the workshops. Mr. McConnell said that they have done that.

Councilman Blair thanked Mr. McConnell, saying that in the ten years he has been on Council he has never seen anything as thorough.

Councilwoman Lopas said that she felt that staff was giving the Council the tools to do the policymaking they have been elected to do, and she thanked them. Councilman Lamerson echoed the thanks.

Councilman Hanna said that one thing he has noticed is that they have someone who is listening and offers objective advice also. They need to keep one thing in mind, not just the Council, but the entire public, and that is that there are certain things that cities are supposed to provide. They need to make sure they are providing those and then look at other services.

Mayor Kuykendall thanked staff for starting the process.

IV. ADJOURNMENT

There being no further business to be discussed, the Workshop of the Prescott City Council held October 4, 2011, adjourned at 5:40 p.m.

MARLIN D. KUYKENDALL, Mayor

ATTEST:

ELIZABETH A. BURKE, City Clerk