

PRESCOTT CITY COUNCIL  
WORKSHOP  
TUESDAY, DECEMBER 20, 2011  
PRESCOTT, ARIZONA

MINUTES OF THE WORKSHOP OF THE PRESCOTT CITY COUNCIL held on DECEMBER 20, 2011, in the COUNCIL CHAMBERS located at CITY HALL, 201 SOUTH CORTEZ STREET, Prescott, Arizona.

◆ **CALL TO ORDER**

Mayor Kuykendall called the meeting to order at 3:01 p.m.

◆ **PLEDGE OF ALLEGIANCE**

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

◆ **ROLL CALL**

Present:

Mayor Kuykendall  
Councilman Arnold  
Councilman Blair  
Councilman Carlow  
Councilman Hanna  
Councilman Kuknyo  
Councilman Lamerson

Absent:

None

**I. BUDGET PRESENTATIONS**

A. Airport

City Manager McConnell introduced the presentation and Ben Vardiman.

Mayor Kuykendall asked if Mr. McConnell would like to introduce the new Deputy City Manager. Mr. McConnell introduced Alison Zelms.

Mr. Vardiman began his PowerPoint presentation which addressed the following:

- ▶ AREA DRAWING
- ▶ OVERVIEW
- ▶ TOPICS OF SIGNIFICANT INTEREST/CONCERN

▶ AIRPORT PROGRAMS AND SERVICES

He noted that some of the services that may be impacted by funding reductions were operations and maintenance capabilities. He said that any funding reductions would jeopardize their ability to maintain a safe airport and would further accelerate the deterioration of their aging facilities. He said that an example was that in 2009 and 2010, their safety inspections by the Federal Aviation Administration (FAA) led to a total of about 32 safety issues that had to be corrected which cost \$200,000.

▶ AIRPORT PROGRAMS AND SERVICES (Continued)

He said that they are often asked when they are going to have another open house. He said it was a valuable component to the City's Marketing and Tourism efforts. He said that it would take about \$100,000 to do an event like that, and the City's share would be about \$40,000 with the rest being in-kind services or sponsorships.

He said another service that he would like restored would be the repainting of the primary airport markings. He said the funding cycle with the state and federal monies was every ten years and the paint did not last that long. He said it would be a safety improvement to the airport if they maintained it better.

▶ CAPITAL EQUIPMENT – AIRPORT

He said there was a ten year old dump truck that they got from the Streets Division when they were ready to release it. He said they would also like to replace a 1993 bucket truck in fiscal years 2015 or 2017. He said that he would like a vehicle that had enhanced snow removal capability. He said that runway was supposed to be cleared in 30 minutes and it took them 55 to 60 minutes.

▶ CAPITAL FACILITIES NEEDS – AIRPORT

▶ AIRPORT CAPITAL IMPROVEMENT PROGRAM

Councilman Hanna asked if the environmental assessment was mandated by the federal government. Mr. Vardiman said it was mandated when they were looking at projects that involved federal grant funding. He said the assessment was for the runway extension and the drainage work.

Councilman Arnold said he would be interested in a prioritization list of what projects they needed to focus on for the next 12, 24 and 36 months. He noted that deferred maintenance ends up causing replacement.

Mr. Vardiman said that the list on the previous slide showed their actual priority. He said the pavement maintenance was the big project that the City would need to fund. He said the terminal items were not in any priority order, they need them all.

Councilman Arnold said the fire sprinkler system seemed like an ongoing problem that kept eating up maintenance budget. Mr. Vardiman said they were dealing with it and were capable of handling it.

Councilman Carlow asked if the 32 safety issues had all been addressed. Mr. Vardiman said they had. Councilman Kuknyo asked if Mr. Vardiman ever thought about jobbing out the repainting. Mr. Vardiman said that is what they would do to get wider stripes. Councilman Kuknyo asked if there was any way to tie in the Wastewater Treatment Plant backup generator with the airport. Mr. Vardiman said they could look into it; it would depend on their power requirements. He said that it is one of the grant-eligible projects at the airport.

Councilman Hanna asked if the vault relocation would not take place when they move the other 400 foot to the other end. Mr. Vardiman said that it would not as it is not part of that project. They are able to handle the capacity of the extension in the existing vault which is located by Legend Aviation. They would be looking at relocating that vault closer to the power. One issue they are having right now is the communication system between the vault and the tower lighting control. The Operations staff had to go to the vault every time the tower called, and there would be a 10-15 minute lag in getting the lights on.

Additionally, they do not have any room to expand the vault's capacity. As they look to the future to adding lighting on Taxiway E it will need enhanced capacity in the vault and more space to address those needs.

Councilman Blair said that based on what was just said, the focus is the airport and improvements taking place in the future, he would suspect that all of these things would meet the FAA standards for future development of a terminal, runway extension, etc. Mr. Vardiman said that it would.

Councilman Arnold asked about the replacement of the AARF Truck. Mr. Vardiman said that their crash fire truck is ten years old and the lead time is five years to get a replacement. They will be coordinating closely with the Fire Department in terms of what their requirements are and what the Fire Department's requirements are. They would anticipate the most at \$500,000, depending on the type of truck they get. He said that it, as well as the equipment on it, is also grant-eligible.

Councilman Arnold noted that Mr. Vardiman mentioned the key word – *required*, as they were required to have this equipment at the airport.

▶ BUDGET SUMMARY AIRPORT

Councilman Kuknyo asked what the occupancy rate was on the hangars. Mr. Vardiman said that it was 100%. There was a two to three week lag time to get someone else in, allowing the City time to make sure the former occupant was out, and they were able to clean and provide any needed maintenance.

Councilman Kuknyo asked the same on the ground leases. Mr. Vardiman said that they had about 25 acres of property that is vacant. Seven of those acres are bare ground and ready to go; the remainder has some challenges.

▶ BUDGET HISTORY – AIRPORT

▶ ENHANCED OUTCOMES IF AIRPORT OPERATIONAL NEEDS FULLY FUNDED

Councilman Blair asked who did the liability assessment on the airport. Mr. Vardiman said that the City purchases an airport policy that covers the facility and they inspect the facilities. Additionally, both he and Risk Management look at it.

Councilman Arnold asked if the fully funded numbers included additional positions. Mr. Vardiman said that there was one position he would like to add and that was one full-time person to handle maintenance and supplement maintenance of the facilities. Right now he has one individual full time dedicated to maintenance. Another person is dedicated full-time, split between operations and maintenance and then all of the part-time employees and temporary employees perform maintenance related duties.

▶ FY 12 BUDGET IF FULLY FUNDED

▶ OPPORTUNITIES FOR AUGMENTING RESOURCES

Councilman Lamerson asked Mr. Vardiman his thought process in bringing up an Airport Authority. Mr. Vardiman said that if other players came to the table they could do something similar to when Phoenix joined the Phoenix/Mesa Gateway Authority, where they came with \$5 million dedicated for facility improvements.

He would foresee something of that nature. At the same time that they came on the airport authority they became a vote. The City of Prescott, as

the owner, could make the determination of how many votes they would have.

Councilman Lamerson asked if at what point in time they would have the value of the airport assessed so that someone wanting to become a participant in a regional airport authority would know what it would cost them to participate. He said that it has been the citizens of Prescott that have primarily funded the costs airport and they have a right to know what their investment in the airport is in dollars and sense. Mr. Vardiman said that was a component that would need to be looked at, and it would be a long, difficult process. He said that would be part of the information-gathering process, should the Council choose to consider that option. Upon Council direction, that would be something that staff would do.

Councilman Blair said that he would agree with that. Somewhere in time he would hope that the City Manager would direct staff to evaluate and obtain appraisals of the assets at the airport. That would be an important tool to have in the future. Mr. Vardiman said they would take care of it.

Mr. Vardiman said that another consideration for augmenting resources would be to charge a non-aeronautical secondary storage fee. The hangars, depending on their size, have room to store other items, such as a classic car, home furnishings, etc.

Councilman Blair asked how the City would protect their investment from those types of items. He saw someone the other day that stored their motor home, which he did not believe was appropriate. Mr. Vardiman said that there is some liability on the City and Ms. Swain could respond to that more appropriately than he could. The City, through its insurance policy, has hangar-keeper liability from what he was aware that would protect and cover their responsibilities for actions attributed to them.

Councilman Lamerson asked if they City could require them to have insurance. Mr. Vardiman said that they are not required at this time, but it is something the City could require. Councilman Lamerson asked if other communities required insurance. Mr. Vardiman said that it was a mix—some do require it and others do not.

Councilman Lamerson said that they require businesses to provide snow removal on the sidewalks in front of their businesses; he does not understand why the airport does not require tenants to have insurance. He would like to see those changes made, sooner rather than later.

Councilman Hanna asked if the restaurants were required to have insurance. Mr. Vardiman replied that they were. Councilman Kuknyo said that it would make more sense to have insurance through the City and

pass on the cost of the insurance to the tenants. Mr. Vardiman said that would be an option the Council could consider.

▶ SUMMARY POINTS – AIRPORT

Councilman Arnold asked if they knew what the economic impact of the airport was to the community. Mr. Vardiman replied that in a 2006 Economic Impact Study done and sponsored by the Chamber it was estimated at \$68 million. Nothing more current is available than that.

Mayor Kuykendall asked how much land was being cleared for the airport safety project. Mr. Vardiman said that on the south end it was a little less than seven acres. Mayor Kuykendall said that they would end up with some land there that could be available in the future.

Mr. Vardiman said that the hill they were removing by Monarch Aviation was 73,000 cubic yards. The entire hillside is 188,000 cubic yards, so there would still be more to remove, but that is one area that will become available.

Mayor Kuykendall said that when Horizon Air was there they operated out of the west wing of the terminal, but they were gone now. He asked if there was any reason that Great Lakes would not move into the west portion and open up the center part of the terminal. Mr. Vardiman said that they had discussed that with them, but they wanted to stay in their current location based on the way they operate.

Mayor Kuykendall said that Horizon Air did not have any difficulty working out of that area. Mr. Vardiman noted that Horizon had more employees working per flight, but they could make the request to Great Lakes again.

Mayor Kuykendall asked if the federal government was still carrying the \$1 million on their accounts payable from when the City hit the 10,000 enplanement. Mr. Vardiman said that it was a year by year appropriation to the City. Every year they are over 10,000 enplanements their entitlement grant funding is \$1 million; every year they are below that 10,000 it is \$150,000.

Mayor Kuykendall said that the \$150,000 has not been paid in awhile either. Mr. Vardiman said that they get that every year as part of their grant projects. They have received in excess of \$150,000. The year that they had the 10,000 enplanement they received almost \$10 million.

Mayor Kuykendall asked how the current rentals fit into their existing contracts being written for hangars. He asked if it had an escalator of 2.5%. Mr. Vardiman said that the current escalator for the City-operated

aircraft storage is CPI plus 2% based on the City Manager's discretion. With the economic times over the past two years the City has not exercised the escalation. The rate is ultimately set by Council as well as the policy regarding any escalation.

Mayor Kuykendall asked if the difference between \$.55 and \$.25 (both low ends) it would only be under new leases. Mr. Vardiman said that the leases are all month-to-month so rate changes could change with a 30-day notice.

Mayor Kuykendall said that he would apologize that they were not closer than two years ago with a new airport business plan. His intent has always been there. They have had conversation with the City Manager and he assures them that it is back on the burner. He said that it was more than just going out and looking at a few items. They hope to form some type of a new organization, such as a commission, to take a whole new look, including some of the land around the airport.

B. Golf Course

Golf Course Manager Mack McCarley showed some pictures of the Antelope Hills Golf Course (AHGC) and noted that it belonged to everyone in Prescott, regardless of whether they were golfers. He said that the whole process of having the workshops has been very educational for not only the public, but staff, the Council, etc. and he thanked the City Manager for starting the process.

Mr. McCarley said that the north course was built in 1956 and about 20 years ago they built the south course and clubhouse. He said that he has been in the business for almost 50 years, and there were not many communities that have 36 quality holes of golf. He said that he takes a lot of pride in the AHGC, as did many Prescott residents.

▶ AHGC – OVERVIEW

Mr. McCarley said that they total 56 employees; when he came on two years ago the total was 71. One of the first things they had to do was analyze everything, including staffing levels. There were a lot of part-time employees at that time that stayed on through the winter months and they did not need that.

▶ AHGC – GOLF RECREATION, DINING, EVENTS VENUE

Mr. McCarley said that AHGC is an enterprise account with the City. It is nonmandated, but something that the City has decided to do over these years, and it is based on user fees.

The Council made an investment to upgrade the Centennial Center to make it useable and it is being used. It gives them another tool to sell groups, tournaments, weddings, etc. So far, since the remodel, the building has had 25 events in it, generating over \$45,000. He said that they do need to market it a little better.

Councilman Lamerson asked if the revenue generated at the Centennial Center was proportioned in any shape to pay off the loan or distribution from the General Fund. Mr. McCarley said that it was; they have a separate account. A year from the time they started business in the Centennial Center they will be able to present to the Council what they have brought in and what it has cost them to run it. When they do an event there the revenue goes into that account and then the expenses will come out of it. Councilman Lamerson said that the fact is that the money is not going back to elevate the opportunity for golf; it was going back to pay the money the City loaned to the AHGC.

Councilman Kuknyo asked how long they anticipated it would take to repay the money. Mr. McCarley said that to date the revenues have exceeded his projections. It is a quality facility and a lot of the groups using it are not golf related. He said that he did not have enough of a track record to determine how long it will take to repay the money.

Mr. McCarley said that Embry-Riddle now has a golf program and Kim Haddow is their new coach. They will be hosting their championship for their conference next April which will bring in 20 schools from all over the country for three to four days.

▶ TOPICS OF SIGNIFICANT INTEREST/CONCERN

▶ PROGRAMS AND SERVICES – GOLF COURSE

Brief discussion was held on whether part of the facility could be contracted out. Mr. McCarley said that if they did that it would create a different set of circumstances. An example is that when a group comes to him and wants to have a tournament he has some flexibility in working with them on food rates. If that service is contracted out there is another level that has to be worked out.

▶ BUDGET SUMMARY GOLF

Mr. Woodfill reviewed the financial side of the AHGC. He reported that the balance of the loan, as of June 30, 2011, was \$3,361,888. Councilman Carlow asked if the debt service related to the loan. Mr. Woodfill said that it did not; it related to the outside loans.

Councilman Kuknyo asked what the 24% for “other services” referred to. Mr. Woodfill said that he would discuss those in a few slides.

▶ GOLF INCOME AND CASH FLOW

▶ GOLF REVENUE AND EXPENDITURES

Mr. Woodfill said that the top of the slide showed the expenditures of the golf course. In 2007 there was quite an increase in personnel and that was due to the City taking back over the restaurant.

The “other services” separated the effluent out of this number. This was the effluent used to water the course. Over the last ten years something has happened with that. They went from a fixed rate that the golf course was charged, which was not at market value, to pay the market rate for effluent. That is why it went from 126,000 to 221,000, and that has had an impact on the golf course.

Mr. Woodfill said that “other services” that were not broken out include utilities, banking fees, advertising, maintenance contracts, memberships, postage, etc.

Councilman Arnold said that on behalf of the new Council members they appreciated the tour. He said that he loves eating at the Manzanita Grille, but looking at the 2012 budget book and actual expenditures in 2010, it appears that some of the restaurant employees were being paid out of other funds.

Councilman Arnold said that it appeared that in FY2010 they operated a restaurant at a \$53,000 loss. He said that he was curious as to how they were tracking this year. He had read in the paper recently that they were closing the restaurant several week nights because of low attendance. He asked if they had seen a corresponding reduction in their staffing expenditures.

Mr. Woodfill said that they have done a financial report recently for Mack and there is a slight loss at the restaurant and the operations. It is not large at this point, but they are watching it and working with Mack.

Councilman Arnold said that he appreciated earlier comments about having both the golf course and restaurant under the same umbrella provides flexibility in attracting tournaments, etc., but he has heartburn that they are in a business competing with the private sector and for the last three years they were losing money at the restaurant.

Mr. Woodfill said that the budget book is a projection; they can get the actual numbers from the audit report and he could get them those final numbers. Councilman Arnold said that it was something that needed to be addressed as they move forward with next year's budget.

Councilman Carlow asked why internal charges would be going up with personnel costs going down. Mr. Woodfill said that they only had internal charges for 2011. The big jump between 2010 and 2011 on internal relates to the fact that a facility out there was put into the facilities maintenance fund. Prior to 2011 there was not a facility in there and that equated to a \$30,000 increase.

Councilman Kuknyo asked if it should not have been more of a drop if they went from 71 to 53 employees. Mr. Woodfill said that was based on the seasonable employees, not full-time or highly-paid, plus they had health insurance costs go up.

Mr. Woodfill said that there was some confusion as to where the \$3.36 million loaned from. He said that it is loaned from the capital reserve fund in the General Fund, so that reduces the amount available for the capital reserve which are the funds that they use to improve facilities and do economic development projects. That includes grants and other matches that they have to do for the golf course and police/fire. He said that with the \$3.3 million out for that loan, there is only about \$500,000 left in that reserve until it is paid back, or resolved. He said that they will also see some revenue go into the reserve when Trader Joe's begins paying their lease.

Councilman Kuknyo asked if they were zero percent loans. Mr. Woodfill said that it was done by policy at the rate of the Local Government Investment Pool (LGIP) fund through the State Treasurer's Office which is real close to zero the past few years.

Councilman Arnold asked if that was a Council policy. Mr. Woodfill said that it was. It was set in the budget book in the first section.

#### ▶ COMMENTS ON REVENUES AND EXPENDITURES

Mr. McCarley said that he would like to add a few comments to those covered by Mr. Woodfill. He said the policy of "*encompassing all City revenue centers requiring payment of their share on central administrating costs*" is a big nut for them—probably close to \$400,000 a year.

He said that he also wanted to revisit the debt service on the golf carts. Current outside debt is \$510,000 and \$495,000 of that was to replace the golf course. Last spring he came to Council and asked for reappropriation

of funds to turn in the old carts. As their manager of the golf course, he had to do that. It would have been derelict in duty if he had not brought the opportunity to reinvest in the golf cart fleet at that time. To wait until the payment was up would have taken them to August and they would have had to deal with it then.

Mr. McCarley said that for a \$1/2 million investment to bring in \$400,000 revenue in one year is a pretty good investment.

Councilman Hanna said that the \$397,000 did not take into account the \$12,000 a year they will save in fuel.

Councilman Kuknyo asked what the life was of the golf carts. Mr. McCarley said that four years is what they shoot for.

Councilman Lamerson said that he understood the projected obsolescence of the golf carts of four years. He asked what portion of the rental was scheduled to go back in to paying off the loan of what they borrowed to begin with. Mr. Woodfill said that the loan for the golf carts was an outside loan through the Municipal Property Corporation and they will pay \$132,000 the first year and \$130,000 each year thereafter.

Councilman Arnold said that it would be valuable for everyone to understand the rotation policy that has been set up. Mr. McCarley said that when they convert from gas to electric it has a lot of pluses. It also has a few things that require maintenance of the fleet, and the key factor is the rotation of the carts.

Mr. McCarley said that the warranting on electric carts today is on the batteries and the voltage used. They want to make sure they stay within the warranty on the batteries. They have instituted a slick way to rotating the fleet. After the tourist season was over they were well within the projections on hours of the batteries.

Mr. McCarley said that in reviewing the pie chart, he referred to the Nonresident Green Fees – 3%. He said that was the piece of the pie that needed to increase and it was related directly to tourism. It relates to their efforts and those of the Tourism department to bump that number up. When he was in Prescott in the 1970's that number was 17%. While they have challenges today, that is the area of opportunity.

Councilman Kuknyo asked if they gave money to the Tourism Department to advertise. Mr. McCarley said that those funds were for independent marketing. They spend less than 1% of their budget on advertising. He said that they were not asking for more, but they were trying to move

some monies around. He intends to be much more aggressive to attracting people to Prescott for golf.

Mr. McCarley noted, with regard to the golf carts, that he had a dream or vision in the electric golf cart business to move to solar carts. He thought it was worth looking into. Back in 1956 the City was a pioneer in using effluent to water the courses. The City may have been the first to do so, and they could also be a pioneer in using solar power for the golf carts.

▶ CAPITAL NEEDS – FACILITIES AND EQUIPMENT

▶ OPPORTUNITIES FOR AUGMENTING RESOURCES

Councilman Arnold said that going through the budget process is the appropriate time to look at the rate structure again. Mr. McCarley said that they do now have competition in the community with private country clubs and they have membership fees. He said that they do not get any money at AHGC until people show up to golf, so they may need to structure something that falls into that category.

Councilman Lamerson said that awhile back there was a comment made that seniors needed to be protected because they have had reductions in their income levels. He said that so have the young people; they do not have any more money available to them as anyone else. He is not a golfer at all, but he cares about everyone equally. The fact is that the young people are going to be their long-term customers. He thought they needed to look at the issue differently philosophically.

Mr. McCarley said that was true and they were very interested in the young people. They have strong junior programs and it was incumbent upon them to develop and generate that market. He said that they recently also added a Special Olympics golf team and they are also working with the VA Hospital to get their Veterans out.

Councilman Kuknyo said that he just did some real quick math and with 65,000 rounds a year, that is 187 per day. Last year it looked like they were losing about \$704 a day. That quick math says that they need to raise greens fees by \$3.90 to be even.

Mr. McCarley said that the other question is whether such an increase would drive people away. He said that compared to the other private courses they are a bargain.

Councilman Arnold said that if they took out the 6.7% loss at the restaurant that would drop that number lower.

Mr. McCarley said that they have recently formed the Friends of the AHGC, structured similar to the Friends of the Library. They have over 100 members and are just getting started but they have already completed a project.

▶ SUMMARY POINTS

Mr. McCarley gave an analogy of the golf course being one of the many threads in the tapestry that is the City of Prescott.

Councilman Arnold voiced appreciation to the grounds crew at the Golf Course. He said that there has been a major improvement and he looked forward to working with him in overcoming some of the budget issues.

Councilman Hanna thanked him for the presentation, noting that they do face difficulties. He said that back in 1956 his Dad laid the pipes for the north course and he has been prone to golf most of his life. He congratulated those that work there and said they had a great crew. He said that Mack was doing a great job and they were glad he was back in Prescott.

Councilman Kuknyo said that he liked the mission statement that included *“assuring revenues are more than sufficient to cover operating expenses.”* He said that he never likes to see competition with local business. Even though they have made \$45,000 off of local events that is \$45,000 that did not go to a local business, although he can understand they want to be on the golf course. They do have a great commitment to excellence as seen through the whole budget and presentation. He has always had a great meal, but he does believe they need to stop the bleeding.

Mayor Kuykendall said that the \$3.3 million that is debt, in some form or another, is the result of some operating losses, but during that time they have also been reducing debt for major investments they have made in the golf course.

He asked Mr. McCarley what the value was of the two golf courses. Mr. McCarley said that he had no idea. Mayor Kuykendall guessed at \$6 million or \$8 million, and Mr. McCarley said at least. Mayor Kuykendall said that was still a good number to have an asset of that value with debt of only \$3.3 million.

Councilman Lamerson said that he does not play golf, but as a resident of Prescott the golf course, like many of the other amenities, attracts a lot of people. They have never heard a cost benefit analysis, or economic impact of those that come here. He believed that was information that the Council and the community needs to have. He said that it is not just about

the dollars and cents. There is a lot more to having amenities such as the golf course, ball parks, Thumb Butte, trails, etc.

**II. ADJOURNMENT**

There being no further business to be discussed, the Workshop of the Prescott City Council held December 20, 2011, adjourned at 5:25 p.m.

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MARLIN D. KUYKENDALL, Mayor

ATTEST:

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ELIZABETH A. BURKE, City Clerk