

PRESCOTT CITY COUNCIL  
WORKSHOP  
TUESDAY, JANUARY 31, 2012  
PRESCOTT, ARIZONA

MINUTES OF THE PRESCOTT CITY COUNCIL WORKSHOP held on January 31, 2012, in the CITY HALL COUNCIL CHAMBERS located at 201 SOUTH CORTEZ STREET, Prescott, Arizona

◆ **CALL TO ORDER**

Mayor Kuykendall called the meeting to order at 3:01 p.m. The Mayor noted that the comments would be limited to the Council and later meetings would allow for public comment.

◆ **INVOCATION**

Councilman Kuknyo gave the invocation.

◆ **PLEDGE OF ALLEGIANCE**

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

◆ **ROLL CALL**

Present:

Absent:

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

**I. BUDGET PRESENTATION**

A. Budget Action Plan

City Manager McConnell showed a slide that included the *Action Plan for Fiscal Year 2013 and Beyond*. He noted that it would be the final presentation in the Workshop Series, but that did not mean the process was at an end. He noted that it was a summary of the workshops they have had.

He noted that Item 1 identified the budget process, which was to go through each item for necessity, priority, efficiency, effectiveness, public/private delivery and methodologies. He said the Council would be better informed as to what the department functions were, the scale of their budgets and fully funded needs.

Item 2 was to look at the organizational structure of the departments which needed to be aligned with the services they provided and the workload that represented. He noted that an example of an organizational structural change was the Fleet and Facilities Department. He said that Field Operations would become Field and Facilities, which would have four divisions: streets, solid waste, fleet and facilities.

He said the City organization was reflected in the City Code and the City Code organization needed to be the same as the work organization.

Mr. McConnell said they could not do everything at once in the same timeframe. He said that as they got into building codes, regulating fees and how they were paid, it would be in the Fiscal Year 13 work program. He said there could be organizational changes reflected in the Code.

Councilman Carlow asked what the Unified Development Code Committee (UDC) was and if that was not already ongoing. Mr. McConnell said there was a committee and if it was the charge of the Council to look at identifying topics which had financial aspects to them which may be reformed, UDC would meet during FY13 and make recommendations.

Councilman Lamerson said that Council may look at sidewalk maintenance and who was responsible. He noted that the code structure spelled out that it had to do with adjacent private property owners with no enumeration. He said that may be altered and would have a significant impact with regards to what it cost the City to maintain the sidewalks. He said that change may have an effect on property taxes.

Mr. McConnell noted that the above items would be done by the end of June, when the Council adopted the Fiscal Year 13 budget.

He noted that Item Number 5 was Public Safety and a couple of things came out of the previous presentation regarding the topic. The first was to assess the Community Servicer Restitution Program for effectiveness. He said that it could represent a possible \$136,000 Police Department budget reduction. He noted that they were proposing that by the end of Fiscal Year 2012, they would assess the program with Judge Markham and look at the benefits and costs of the program. He said Judge Markham could also sentence individuals to community service for nonprofits. The City of Prescott was not the only option available. He said that Judge Markham

would like to have an opportunity to address the issue during the budget process.

Councilman Lamerson asked if there would be supervisory and maintenance capacity with the nonprofits. Mr. McConnell said that there may be some duties that would not involve police employees or vehicles.

Mayor Kuykendall asked if it was the court's idea that this program would be a form of punishment or was the intent to provide services to departments to have the weeds cut and rocks raked. Mr. McConnell said that the program arose in a different time and was to be a win/win. The City would win by receiving benefit of labor performed for different departments. However, the individual sentenced would also receive not just work, but counseling on life skills, how to manage a personal budget, and how to make better choices. He was not aware that the win on the side of the individual sentence was still there. He said they just loaded them up in a van and they drive somewhere and work.

Chief Kabbel said he was correct. This program was in place prior to the change that the City Manager was talking about. In the past, the judge used to assign the workers to a department within the City. The problem was managing the people and getting the reports back to the court. So Judge Keebler wanted to formalize it. He wanted more than giving back to the community in labor. He wanted to include some reform where they could learn some life skills. He said the program dealt with misdemeanor offenders. He said the program went on for two years until they could not get anyone to volunteer their time to teach the life skills, so they went back to the manual labor.

Councilman Lamerson asked if it was worth participating in. He said it may be of value to the nonprofits since they do not collect taxes. Chief Kabbel said they do a cost analysis on a monthly basis. He said that it did not meet what they were expending in costs.

Councilman Hanna said his perception of this program was that it gave the judge another option besides fining people. He said the people were happy to have to work outside, but the work was not getting done. He said if they paid \$136,000 to a couple of people, they would get a lot more done.

Chief Kabbel said their monitors watch them very well, they were being punished, and giving back, but they were giving at their pace and at their will. He said they would not get the same work out of them as someone who was receiving an hourly wage.

Mr. McConnell said that if they were going to spend that kind of money for work that needed to be done, that was not the most efficient way to do that. Councilman Arnold said that it was one item in the multitude of items. He said they were not just focusing on that program, but it was across the budget.

Councilman Blair asked George Sheats to make a comment about the program regarding the trails and brush removal. Mr. Sheats said that it was worth four times what the City paid and they worked the people very hard. He said they did things that would not be asked of a minimum wage person. He said there was a lot of productivity. He noted that the supervisors worked hard with them.

Councilman Lamerson noted that the City took in \$12 million in sales tax. He said that they did not take in enough to cover the Fire and Police Departments since the Fire Department needed \$7 million and the Police Department needed \$9 million. Mr. McConnell said he was correct. Mr. Lamerson said they were running 25 percent short for public safety and asked how the General Fund was supposed to pay for the rest of the expenses.

Mr. McConnell said that lead them to the second part of Item 5 for providing public safety service with the objective of identifying and implementing efficiencies. He noted that there were certain services that the City could not charge for. He said the Fire Department was not interested in speaking about Rural Metro. He said the City was located in Yavapai County. He noted that how fire service was provided, by whom, and at what cost, was relevant to a discussion of public safety and fire services. He said they needed to present additional information to educate the public on just how these public safety services are funded, or not funded, and what the source of money was.

He said they proposed to provide additional information to Council and the public regarding funding. Secondly, there are questions about service delivery and protocol. He said the vast majority of calls for service that the Fire Department got did not pertain to fire suppression. He said they pertained to either medical calls or general service calls or general service call for assisted living facilities, cat is up a tree or concern of a downed electrical line.

He said that from a cost and resource efficiency question, for the Fire Department they had to define that department. He asked if they should go on a paramedic call in a \$500,000 vehicle. He said they were talking about how they react to calls and a possible change in protocol.

Councilman Blair asked how the City got to the point it was at. He said they need to recognize that Prescott Valley and Chino Valley had grown up around Prescott. He said that Prescott used to be the sales tax generator, but was no longer in that position.

He said there were numerous nonprofits all over the City which did not pay sales tax. He said that it took business away from businesses that do pay sales tax. He noted that it had gotten to the point in the State of Arizona where they wrote the check for the Fire Department employees, but ARS, Public Safety Division of retirement, dictated to the City/State what they were going to pay firemen for their retirement. He said that when they are paying a four to one match, it was unattainable and it was running the City into bankruptcy.

He said that when the fireman was hired, he was not guaranteed that he would get a 3:1 or 4:1 match on his retirement. He said that when he looked at Central Yavapai Fire District, their pay and apparatus was all based on property tax levies. He said they had plenty of money to pay those adjustments to the firefighters, whether it is a 1:1 or 4:1 match. He said when the City of Prescott's were hinged off of sales tax revenues - they had no place to go. He said the City may have to form its own fire district and tack it on to the property tax.

Councilman Lamerson said that he did not think the State mandated the City to do everything. He said that Prescott chose to rely on sales tax to be their model. They wanted to defer some the cost to the residents on to the visitors. He said the model had proven to not be the most efficient model for solvency. He said they chose not to ask the citizens to chose if they would rather be in a fire district and have the cost of fire protection assigned to their homes and businesses, rather than depending on someone from outside the community to pay for it.

Councilman Arnold asked what type of dialogue they would have about the change of services in the budget process.

Mr. McConnell said that in the past, the first time the Council saw the budget was in May at a budget workshop. That was six weeks or less before action had to be taken. He noted that one of the questions was how much detail they should get into. He said they had already received a lot of detail through the workshop series. He said the series dealt with the General Fund and some internal service funds and some challenged enterprise funds.

He said they needed to have more discussion with Council in the periodic meetings about a process which would deliver the information they needed. He noted that would probably be after the departments

formulated their budgets. He said they would then bring the budgets before Council in the May timeframe so they would have some sense of what was in it.

He said that they would not recommend that there be ballot measures for November for sale tax. He said they would have to hobble through the current process. He noted that there would be almost no capital. They had to do the mandated contributions. He said their budget was not sustainable and they would have to talk about the budget programmatically, not just at the line items.

Councilman Blair he said that when they started looking at the library or park and recreation, those were quality of life issues. He said the City may decide that they can no longer afford those services because they had to pay another \$400,000 to the Fire Department retirement fund. He said he did not know that he was willing to do that. He did not promise anyone that they were going to give a 4:1 retirement match and say to the other departments that they were not important. He said he did not want to close the library three days a week to pay for the Fire and Police Department retirement funds. He said they need to ask the community what was discretionary.

Councilman Arnold said that discretionary was in the eye of the beholder. He said there were programs that were feel good and did not provide quality of life or a service.

Councilman Blair asked if they needed a fire station at the airport open 24 hours per day when the airport is closed 8 hours a day. Councilman Arnold asked if they could cost recover some of those services. He said his reliance had to be with the staff.

Councilman Lamerson asked if mandated meant that it would become a law; Mr. Kidd said yes. Councilman Lamerson said they needed a better grip on what they had to do first. He said they had to choose how to fund the mandated items.

Councilman Blair asked if that meant giving their fire service to Central Yavapai Fire District. Councilman Lamerson said that maybe there would be a Prescott Fire District.

Mayor Kuykendall said that he did not believe that they had solutions that day. He said they were doing good for a long time. He said it was not hard to see why they were in trouble when they looked at their sales tax rate.

He said if they continued to try to do what they were doing, they were doomed for failure. He said if they were willing to go to the public and tell them what was going on and get comparable to other communities; he said that would be a key point. He said he was confident that the department heads cut to the bone the past year.

Mr. McConnell said Item 6 addressed the golf course and once they were breaking even operationally they could discuss repaying the General Fund loan. He noted that they would review and adjust the golf rates to align them with the market. He said that the City's two courses were the only public courses in the area.

Councilman Hanna said they should reach out to see how much they brought in as far as bed tax and sales tax. He agreed that they needed to have a rate adjustment. He asked if they had considered reducing their rate for water. Mr. McConnell said they were aware of that cost item and it was hundreds of thousands of dollars.

Mayor Kuykendall asked if they would get any money if they were not using the water for the golf course and they were recharging it.

Mr. McConnell said that was a major part of the alternative water. He said they did have recharge credits. He said they accumulated the acre feet and pledged in their assured water supply designation and pump that equivalent back out of the aquifer and deliver it for revenue.

Councilman Blair said there was a cost of doing business, but they did not look at what the golf course does for this community. Mr. Blair said that if they gave the golf course credit for what they generated it might offset their cost of water and make the course more sustainable.

Mr. McConnell said Item No. 7 included user fees in place and others that may take place. He asked if they should keep the rates the same or create more kiosks. He said it was an example of departments looking at additional user fees, which would become a matter of policy.

Councilman Lamerson noted that three successful user fees were water, sewer, garbage.

Mr. McConnell noted that from a policy standpoint that was where the role of the Council came in. He asked how much of the ala carte approach to running the City would be sustainable. He talked about a case study for solid waste in Phoenix where one class of citizens said they were retired, their kids did not go to school there and they only generated a little trash so they did not want to pay as much as those with kids, and they did not want to pay school tax because they had no kids in school.

He said that would be one of those fundamental issues. He said the community would not be able to pick what they wanted to pay for. He noted that they could control some services, like how much water they used. He said a community is more than just being about money. It has a history and a spirit. He said that was where the policy aspect came in.

Mr. McConnell said that Item No. 8 was tourism and they would like to transition the current General Fund Tourism expense to either the transient occupancy tax or some other permissible source. He said that \$300,000 per year was being paid from the general fund to support tourism. He said they would like to figure out a way to get tourism into a tourism fund and out of the General Fund.

Item No. 9 was the Airport and the user fees that had not been updated in years. He said that even though the airport was an Enterprise Fund, there was General Fund support for grant matches. He said if they were thinking about charging the airport for fire suppression services, they had to have the money to pay it.

Councilman Blair asked if he was including contracts for hangers that they were locked in to for certain rates. He asked how they could make that change. Mr. McConnell said they had long term leases that were nowhere near market rates. He said there were opportunities at the airport that would allow the airport to be a more viable operation.

Item No. 10 was to update the Economic Development plan to include airport business plan oriented to economic expansion. He said that he did not think that many people in the City understood what they had at the airport. He said it was not just on City property, but the entire complex that included privately owned land. He said there was an opportunity to work with Embry Riddle and the aerospace industry. He noted niche markets with high paying jobs. He said they should sharpen the point of the City's Economic Development Plan and have it land at the airport and promote it much more aggressively.

Councilman Arnold thanked the staff for the presentations and said that they brought him up to speed. He also appreciated the fact that the action plan took into account comments from Council and the public. He said that what they started with before and what they had then was a vast improvement of past procedures.

Councilman Kuknyo said that staff had to think outside the box and keep coming up with cost savings improvements.

B. Revenues/Funding Measures

Mr. McConnell said the first one was very important and the suggestion was that Council consider placing a secondary property tax levy on the November ballot to provide bridge funding to the General Fund. He noted that it would generate about \$1.4 million to assure that Park and Recreation and the Library stay in business. He said the parks needed to be maintained for the summer season that it booked with tournaments. He said there would be no expansion in services, just staying in business.

He noted that SB 1226 was a Municipal Funding Relief Act. It was a tool for municipalities under 40,000 in population, to levy from 2 – 7 years a secondary property tax rate for general operations. At the end of seven years that tax would sunset and would not be able to be renewed. He noted that the City currently had a secondary property tax levy that was generating about \$1.4 million to pay off the purchase of Watson and Willow lakes. The final year of that debt service was FY2013. He said even if the secondary tax levy went on the ballot in 2012, the last opportunity to use it, it would not have any effect on revenue until FY2014. He noted that from the property owners' standpoint, there would be a levy on the property tax bill in FY2013 if the voters were convinced that it would be a good thing to do. He noted that in FY2014, there would not be an increase and it would effectively be the same property tax.

Councilman Arnold said that he did not believe it was his position to prevent the voters from having the right to make a determination as to what they want to have their City be or not be.

Councilman Lamerson asked if it would be the intent to ask the voters to vote on a specific reason for the secondary tax. Mr. McConnell said yes, the law required that a purpose be stated; therein lies the requirement to carefully craft and disclose, and engage the public, in that purpose.

Councilman Hanna asked when it would have to be voted on to put on the ballot and what the financial impact would be. Ms. Burke said that the final decision for ballot wording would need to take place at least 120 days before the election. She said the sooner that was accomplished, the better.

Mr. Woodfill said the current secondary property tax was .24 per \$1000 of assessed value. He noted that on a \$200,000 residential home, the fee would be \$50. Mr. Woodfill said the purpose and amount were required in the ballot language. Councilman Hanna said that he was not for raising taxes, but he was for putting it out to the public.

Councilman Arnold asked when they expected to have their projected revenues from state and locally. Mr. Woodfill said they would be making projections for local taxes in the next two weeks. He said the State provided their estimates in late February or early March. The property tax worksheets would come from the County in late February.

Councilman Blair said that if they put their fire protection on the property tax it would leave an extra \$7 million in the General Fund. He asked how much that would be per property. Mr. Woodfill said there were a lot of steps involved in that but the rough numbers for a \$200,000 home would be approximately \$200 per year. He said that whoever decided to look at the ambitious job of looking at a fire district, the information would have to be made public before any decision could be made by the public.

Councilman Blair asked if he saw a difference between making a fire district opposed to putting in the property tax. Mr. Woodfill said the City could not put the Fire Department on the property tax bill. He said the only option would be to go to a fire district.

Mayor Kuykendall said that because of the assessed valuation of all properties in the City the cost of operating a fire district would be about \$1.03 per hundred as opposed to \$2.07 for the Central Yavapai Fire District.

Mr. McConnell said that two other tools available to the community that would require votes are modifying the Transaction Privilege Tax and the opportunity to consider a transaction privilege tax on restaurants and bars. He noted that the revenue from that tax would be restricted as to hospitality or tourism development. He said it could be used to eliminate the current system that the City has for alcoholic beverage licenses. He noted that there was a tax on food and alcohol and they need to make sure there was no tax upon tax.

Councilman Arnold said they had to approach the issue with no new taxes and go from there. Councilman Carlow noted that in May of FY2013 the State one percent sales tax would go away.

Councilman Blair noted that if each department were fully funded for the coming fiscal year, there would be a shortfall of \$6 to \$7 million dollars. Mr. McConnell noted those items would not be in the next budget.

Mayor Kuykendall noted that when he came on board the City was using 50 percent of their General Revenue Fund for Public Safety. He noted that they were currently using 68 percent. He said that if they were going to continue the quality of life in the community they were going to have to fund it.

**II. ADJOURNMENT**

There being no further business to be discussed, the Prescott City Council Workshop of January 31, 2012, adjourned at 4:42 p.m.

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MARLIN D. KUYKENDALL, Mayor

ATTEST:

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ELIZABETH A. BURKE, City Clerk