



Sierra Vista City Council
Work Session Agenda
February 23, 2021

1. Call to order - 3:00 p.m. in the Council Chambers, City Hall, 1011 N. Coronado Drive, Sierra Vista, Arizona.
2. Presentation and Discussion:
 - A. February 25, 2021 Council Meeting Agenda Items (agenda attached)
 - B. FY 2021 Mid-year Budget Review
 - C. Chapter 94.04 Possible Code Revision regarding Commercial Activities in City Parks
 - D. Report on Recent Trips, Meetings and Future Meetings
 - E. Future Discussion Items and Council Requests
 - F. COVID-19 Status Report
3. Adjourn

City Council work sessions are informal meetings of the elected body designed to allow the Mayor and Council Members to prepare for upcoming regular meetings, have staff briefings on issues, and provide an opportunity for more detailed discussions amongst themselves. The meetings are limited by City Ordinance to 90 minutes; but with Council consensus may be extended by an additional hour. The meetings are set in accordance with the State Open Meeting Law and no discussion can take place on issues/topics that have not been posted on the agenda at least 24 hours in advance. The public is welcome to observe the meetings in person or on Cox Channel 12, but time is not reserved on work session agendas for public comment. The public may, however, address the City Council at their regular twice monthly meetings or share written views through the City website, www.SierraVistaAZ.gov. For special needs and accommodations, please contact Jill Adams, City Clerk, 72 hours prior to the meeting or activity at (520) 458-3315 or through the Arizona Relay Service at 1-800-367-8939, or by dialing 7-1-1.

Sierra Vista City Council
Work Session Minutes
February 23, 2021

1. Call to Order:

Mayor Mueller called the February 23, 2021 City Council Work Session to order at 3:00 p.m., Council Chambers, City Hall, 1011 N. Coronado Drive, Sierra Vista, Arizona.

Mayor Rick Mueller – present
Mayor Pro Tem Rachel Gray – present
Council Member William Benning – present
Council Member Gregory Johnson – present
Council Member Angelica Landry – present
Council Member Sarah Pacheco – present
Council Member Carolyn Umphrey - present

Others Present:

Chuck Potucek, City Manager
Victoria Yarbrough, Assistant City Manager
Adam Thrasher, Police Chief
Chris Hiser, Commander and SEACOM Acting Director
David Felix, Finance Chief Officer
Sharon Flissar, Public Works Director
Matt McLachlan, Community Development Director
Jeff Pregler, Planner
Jill Adams, City Clerk

2. Presentation and Discussion:

A. February 25, 2021 Council Meeting Agenda Items ([agenda attached](#))

Mayor Mueller stated that the Council Meeting for Thursday, February 25, 2021 starts at 5:00 p.m. with the Call to Order followed by roll call, invocation, pledge of allegiance, and the acceptance of the agenda.

In response to Mayor Mueller, Mr. Potucek stated that he currently does not have anything to report on as he is waiting on Procurement's report.

Item 2, Consent Agenda consisting of the Special City Council Meeting Minutes of February 9, 2021 and the Regular City Council Meeting Minutes of February 11, 2021 - Council Member Pacheco stated she was not in attendance at the special meeting and will have to abstain; however, she attended the regular meeting and would like to participate.

Mayor Mueller stated that she can either abstain from both or she can state that she abstains from item 2.1 of the Consent Agenda. Ms. Adams stated that the items may be listed separately under regular new business on the agenda.

Item 3, Public Hearing, Resolution 2021-013, Development Code Text Amendment,

Reasonable Modifications, Section 151.02.004 – Definitions and Section 151.06.011 - Reasonable Modification and Declaring a 30-day Public Record – Mr. Pregler stated that every year, Community Development develops an annual work program in coordination with the Planning and Zoning Commission and the City Council, which identifies ways to improve efficiencies, clarify requirements, and help citizens move through the development process more easily. This practice is consistent with the City Council initiatives to make codes and processes more efficient and streamlined. The amendments before you reflect these goals. The amendments in Resolution 2021-013 relate to reasonable modifications and are in response to public comments requesting home modifications to accommodate a disability.

Reasonable modification are to be defined as “a means to provide disabled persons flexibility in the application of a structure’s dimensional standards and lot coverage area requirements and procedures, when necessary to eliminate barriers to housing opportunities.” In other words, to create a process that would allow the reduction of building setbacks, height increases that extend above the zoning height maximums, or increases in lot coverage areas for the purposes of accommodating a disability. Lot coverage areas simply means limiting the amount of area that structures can occupy in a property. A lot of codes will limit structure to 35 percent of the overall lot, whereas the other 65 percent must remain open. Due to the potential increase of the structure, a request to increase that lot coverage area may be needed as a result.

The current process to waive the dimensional standards is through a variance process, which a public hearing that is heard before the City’s hearing officer. Due to the strict criteria of the variance process, many requests for reasonable modification would be denied. In addition, the Federal and State Fair Housing Acts state that “prohibited discrimination includes a refusal to prohibit, and at the expense of the person with a disability, reasonable modifications of an existing premise occupied or to be occupied by such person, if such modifications may be necessary to afford such person full enjoyment of the premises.” It is for these reasons and to follow the Fair Housing Act that a separate reasonable modification process is being recommended.

The process itself will be administrative, rather than a public hearing, with the reviewing authority being the Director of Community Development. The application will be reviewed and approved based upon proposed findings as stated in the Development Code. The affected neighbors will be notified of the request and can provide comment, which will be considered as part of the review process. Conditions can be placed on the approval to minimize impacts on neighboring properties if necessary.

In response to Mayor Mueller, Mr. Pregler stated that a neighbor would be an adjacent/ abutting property.

Council Member Pacheco asked if notification must be given to all neighbors within 500 feet. Mayor Mueller stated that they must be abutting properties.

Mayor Mueller asked if this is identified in the Code. Mr. Pregler stated that he will add this to clarify.

Mr. Pregler stated that to verify that the modification is needed to accommodate a disability, the applicant is required to submit a written certification of need for the requested accommodation from a medical doctor. For privacy purposes the City will not

be requesting the applicant to disclose the disability. However, if this were to go to a public hearing, the applicant's disability could potentially be revealed, but because it is an administrative level the privacy will be maintained as a result.

Mayor Mueller stated that the disability should not be revealed because that would violate the Privacy Act. Mr. Pregler stated that he is correct.

The Commission on Disability Issues unanimously recommended approval at their December 9, 2020 meeting. The Planning and Zoning Commission also unanimously recommend approval at their February 16, 2021 meeting. Staff has not received any public comments. If City Council approves the resolution, it will open a 30-day public comment period.

Council Member Pacheco asked why the definition of disability contains a sentence that states, "does not include use or addiction to a controlled substance." Mr. Pregler stated that the definition was received from the Planning Dictionary and it is a national standard that a lot of jurisdictions use that have these definitions in place. The definition excludes addictive substances.

Council Member Pacheco stated that she looked at other ADA regulations and there is no other disability regulation that mentions addiction. This seems unnecessary. Mr. Pregler stated that it was put in for clarification purposes in that addictive substances is not necessarily a disability in this case on how the term is being used. He noted that if Council wants that removed, he will do so.

Mayor Pro Tem Gray stated that this is related to setbacks, i.e., an additional garage or a way to navigate the property that might reduce their setbacks for more mobility.

Council Member Pacheco stated that it does not apply and seems unnecessary. She added that disability and addiction are necessarily mutually exclusive, and this worries her. Disability and addiction are not conditions that are mutually exclusive conditions. Mayor Mueller stated that they would fall in one or the other.

Council Member Pacheco stated that she does not like the sentence and believes that it is unnecessary, and she has never seen this in other ADA regulations. Mayor Mueller stated that it is because it is not mentioned at all. Council Member Johnson stated that ADA.gov states "to be considered a disability under the ADA, it would have to pose a substantial limitation on one or more major life activity," so it is in there.

Council Member Pacheco stated that it does not talk about addiction. Council Member Benning stated that it is inclusive. Council Member Pacheco stated that the following definition does not mention addiction nor a controlled substance, "a person who has a physical or mental impairment that substantially limits one or more major life activity includes people who have a record of such an impairment, even if they do not currently have a disability. It also includes individuals who do not have a disability but are regarded as having a disability."

Mayor Mueller asked Council Member Pacheco if she is stating that it should be assumed because that is not the way that the law is written. Council Member Pacheco stated that it is not the way that the law is written nor is it relevant to the discussion.

Mayor Mueller stated that she could make a motion on Thursday, February 25, 2021 to have the sentence removed. He added that he does not see other Council Members being worried about the sentence.

Council Member Johnson asked for examples of previous discussions over this that have been denied that could be remedied by the proposed reasonable modification. Mr. Pregler explained that in the last six months someone came in and claimed a disability that wanted to enclose a carport and turn it into a garage, but they needed to have a certain width requirement for a family member that was in a wheelchair. The lot was so small that they did not have enough room to do that, but under this process, it will allow them to provide that additional space needed, even though they may have to cross a setback by two to three feet. This will accommodate them to put their family member in a wheelchair and get them into the house. The most recent discussions have been the expansion of garages and in terms of the height requirements, a detached garage can have a height of 15 feet, but there may be situations where the disability vans are high and they may need additional height for that, and that is why height is included.

Mr. Pregler stated that beyond these two situations, he does not foresee there being a need beyond the two reasons to go through the process.

Council Member Johnson stated that the one thing that troubles him about making reasonable accommodations for a person that is currently living in that home and then that home is sold to a new party. Now there is a nonconforming structure. He asked if there is something that needs to be placed in the code amendment for that. Mr. Pregler stated that this was brought up at the Planning and Zoning Commission Meeting. The Code language, out of which a lot of this information is from, had some conditions of approval. Some of those recommendations were that a document be recorded indicating that they went through this modification process and noting that it must be removed once the owner takes ownership of the house. Other considerations were that the City require random checks to see if it is still needed for the same purposes that it was approved for. It would be a code enforcement nightmare in trying to figure out when somebody is selling/leaving their house. There are ways to do it, but it would take a lot of time.

Mr. Pregler stated that there was a lot of discussion at the Planning and Zoning Commission Meeting and that is why it was left as is. It would run with the land and not with the owner.

Council Member Umphrey stated that at the Planning and Zoning Commission, there was a lot of discussion about making reasonable accommodations for a person, who then turns around and sells the property and maybe having landlords using a tenant to exploit the setbacks, knowing that it is temporary. She further stated that at that time Mr. Pregler stated that he would look at other cities/towns to find examples. Mr. Pregler stated that he did look at other codes and other communities have these other recommendations/requirements in place to ensure that it does not happen. They have inspections to follow up that it is needed for a particular purpose. During discussions with the Planning and Zoning Commission, it was realized that there might be an opportunity where someone might take advantage of the process. Unfortunately, it is going to happen just like people do with the assistant dogs in taking them into restaurants and busses and there are people that take advantage of that all the time and that may happen with the reasonable accommodations, but the City will not be able to stop them every time from taking advantage. The City will do what it can by having safeguards in

place, but ultimately that might fall through the cracks.

Council Member Pacheco stated that she would like to be as least intrusive as possible. Going in and checking with people sounds awful. Mayor Mueller stated that the way that it is written, they are proposing not to check on people.

Council Member Pacheco stated that legislating or writing code based on “what if someone does” is not a good idea, especially if it has not happened. Mr. Potucek stated that this situation does not occur very often anyway and if it does, generally the neighbors are already used to what is there and if they have been comfortable with it before, he doubts that it would be a problem in the future.

Council Member Pacheco asked if normal modifications made to homes require permits, i.e., wheelchair ramps, putting in bars in bathroom. She noted that the main purpose of this is that the City wants people to make modifications so that those with disabilities can live in their homes and have accessibility and not have the City be a roadblock. Mr. Pregler stated that everything will require a building permit, even this process. After they get approved, they are required to obtain a building permit for the construction of the building. If it is structurally related, then it would require a building permit. Grab bars do not necessarily require a permit. A lot of interior things would not necessarily apply to this process either. This is for exterior structural accommodations. Interior improvements if they are not structurally related would not necessarily require a building permit. If it did, it would not necessarily fall under this criterion. This is specific to setbacks and height.

Council Member Pacheco referred to the section on special regulations for parking about the City endeavoring to assist if an applicant needs assistance. She added that there is also a sentence that states that the City will attempt to balance privacy rights with a reasonable request of the applicant, which makes her wonder if there is a way to show that the City will assist people with disabilities. Mr. Pregler asked if she would like for this to be more specific and detail how the City would assist the individual.

Council Member Pacheco stated that she is unsure, maybe a policy to reference too because there probably is a policy on how the City can help. Council Member Johnson noted that this sentence refers to requesting the reasonable modification. Council Member Benning added that if they do not understand the form, they can ask staff for help, he added that he does not believe that it on site. Mayor Mueller stated that it is normal practice, and it has been since former Mayor Bob Strain was in office.

Council Member Johnson stated that he believes that it is already going on, but to clean up the sentence, striking out the word “endeavor to” and then it will read, “the City will provide the assistance necessary.”

Item 4, Public Hearing, Resolution 2021-014, Development Code Text Amendment, Public Hearing Process, Article 151.26 - Conditional Use Permits and Article 151.31-amendments and declaring a 30-day public record – Mr. Pregler stated that the amendments in Resolution 2021-014 relate to revising the public hearing process for conditional use permits, rezonings, and text amendments. The current review and approval process for these requests require public hearings before the Planning and Zoning Commission and the City Council. Along with the public hearings public notification is required, notifying the public of the hearing dates as required by state law. These requirements include newspapers ads, posting signs on the property, if

applicable, and mailing letters to all owners within 500 feet of the requested property if it is site specific. The process takes approximately 45 to 60 days; however, the Arizona Revised Statutes provide for an expedited public hearing process for local municipalities. According to A.R.S., "if the Planning Commission has held a public hearing, then the governing body may adopt the recommendations of the Planning Commission without holding a second public hearing if there is no objection or request for public hearing." In other words, following the public hearing from the Planning and Zoning Commission, the City Council can approve the recommendations from the Commission without requiring a second public hearing if there are no objections, protests, or requests for a public hearing. The Council will still vote on the items, but the notification requirements for a public hearing will not be required and the items can be placed on the next available Council agenda, which helps expedite the process.

Mayor Mueller noted that as long as he is Chair, the Council Meetings will continue to operate as they have been. He added that if there are people that would like to address the Council once the staff report has been provided, they will be allowed to address the Council and that is a public hearing; although, not an official public hearing. He further added that he intends to continue this practice that was started over 10 years ago.

Council Member Johnson asked if this could be codified within the text amendment. Mayor Mueller stated that unless Council wants to get deep into the reason for holding public hearings. He explained that this only applies to the conditional use. Mr. Pregler added that it applies to conditional uses, rezoning, and text amendments.

Mayor Mueller stated that it is very limited; all big projects have a lot of public input/comment. The whole idea is to expedite this so that the City does not spend 60, 90, 120 days on an item that should take less than 60 days because it is every two weeks for the Planning and Zoning Commission to meet and two weeks after that Council meet, and it must be published in the newspaper for 30 days. These items are not big projects and noted that there was no public present to comment on the proposed text amendments. Mr. Potucek stated that there are State Statute-driven items that must follow public input and it has been the City's practice that all items are public hearing items in the way that they are treated by the Council. In terms of what Council Member Johnson has suggested, a better place to put that would be in the City Council's Handbook as opposed to codifying it in Code.

Mayor Pro Tem Gray stated that the difference is public hearing versus public input. A public hearing is a formal process.

Council Member Benning asked if the 30-day public hearing would be eliminated for zoning changes after Council votes on it. Mayor Mueller stated that if there is no objection nor protest. The option is still there if someone does not like it and then there would be a need for a public hearing.

Mr. Pregler stated that there might be some confusion with rezoning and text amendments. Text amendments require an additional 30-day public comment period. Conditional use permits and rezoning are approved typically within that one meeting. The Council has the option of adopting an ordinance for a text amendment or extending it for another 30 days. Mayor Mueller noted that if Council feels that they need to hear from the public, they can wait another 30 days.

Mr. Pregler stated that if there an objection or protest regarding the item, or if there is a request to take the item for public hearing, then a second public hearing before the Council will be scheduled. An objection, protest, or request for public hearing needs to be submitted within seven days from the Planning and Zoning Commission's recommendation.

In accordance with Arizona revised statutes, staff is including language that requires the City to notify Fort Huachuca of all proposed conditional use permits and rezonings to ensure there are no adverse impacts to their missions. In compliance with state law, a public hearing will be required before the City Council if Fort Huachuca has comments or concerns regarding an item. This language is codifying current practice as the City already sends all requests for development to the Fort Huachuca Encroachment Board for their review.

Council Member Pacheco asked if all conditional use permit go to Fort Huachuca because that is not done for Residential Conditional Uses. Mr. Pregler explained that all requests for conditional use permits, rezonings, site plans, subdivision plats to the Fort Huachuca Encroachment Board for their review and comment.

Council Member Umphrey noted that the City does not hear from the Fort Huachuca Encroachment Board often. Mr. Pregler stated that the City hears from them all the time, and normally they come back with no comment. If there is a question, staff would refer those comments to the developer, and they respond accordingly, and the Fort is typically satisfied with the answers. Mayor Mueller noted that there have not been any comments about encroachment and stated that the last time there was a meaningful discussion was when the City was putting up transmission towers in certain places and whether they would influence the electronic test range. It is important to have these conversations with Fort Huachuca so that the City is not interfering with potential future missions.

Mr. Pregler stated that additional amendments include the removal of obsolete or duplicative language. The Planning and Zoning Commission unanimously recommended approval of the amendments on February 16, 2021. Staff has not received any public comments on these amendments and approval of the resolution will open a 30-day public comment period. The amendments are available on the City's website for anyone to review/comment.

Council Member Pacheco asked if both the Planning and Zoning Commission and Council can impose, approve, and give authority to changes. She added that a lot of the changes state Commission and Council can impose on Section 151.26.003. Mayor Mueller stated that there is a problem with this statement because the Commission makes recommendations and do not impose. Council Member Benning agreed. Mr. Potucek stated that it should be struck.

Council Member Pacheco stated that there were other places where she felt like the Commission in place of the Council. Council Member Johnson suggested rewording it to state, "the Commission may recommend, and the Council can impose." Mayor Mueller stated that the suggestion is good, but he does not want to get into the position of Council having to rewrite things.

Council Member Benning noted that the change will need to be made to Sections

151.26.005 and 151.26.006.

Mayor Pro Tem Gray asked if these amendments will still go for a 30-day public comment period. Mayor Mueller stated that she is correct, but he would like to have the document cleaned up before going into the 30-day public comment period.

Council Member Pacheco stated that Section 151.26.006 stated that the Commission shall recommend approval with conditions or denial. Mayor Pro Tem Gray noted that those are two separate things.

Council Member Johnson asked if the amendment is time sensitive because there is a lot of work already put into this and to request a clean copy by the following day. Mayor Mueller stated that he forgot that there is a 30-day comment period, and although it would be nice to have a clean copy by the following day, it can be provided to Council by Thursday, February 25, 2021 before putting it out to the public. He noted that things going out to the public must be as close to perfection and clear.

In response to Council Member Johnson, Mayor Mueller stated that the item will not be postponed unless there is consensus to do so.

Item 5 Resolution 2021-015, Authorizing the City of Sierra to Submit a Grant Application Through WaterSMART Grants: Small-Scale Water Efficiency Projects with the Department of Interior, Bureau of Reclamation – Ms. Flissar stated that staff recently became aware of a grant opportunity being offered through the Department of Interior Bureau of Reclamation for small scale water efficiency projects. The grant criteria are a good match for some planned irrigation work on the recently acquired Rothery Sports Complex. Mayor Mueller noted that it is the Veterans Memorial Park Sports Annex.

Ms. Flissar stated that the grant could potentially help to partially offset the cost of the irrigation upgrades. The maximum grant award is \$75,000. Grant applications are due March 18, 2021 and one of the required elements in the application package is a resolution of support from the governing body. It is important to note that the resolution is for a grant application only, funding is not guaranteed and if staff is successful in its application, an additional action will be brought before Council to accept the terms and conditions of the grant.

Council Member Johnson asked about typical terms and conditions attached to grants of this nature. Ms. Flissar stated that she is not familiar with grants specifically of this nature. This is a federal grant, and it would have Davis Bacon wages associated with it and other federal clauses, but the City has never pursued this grant. The assurances and all those things would come in with the grant offer and the City would have an opportunity to accept those or decline those at that time.

B. [FY 2021 Mid-year Budget Review](#)

Mr. Felix stated that at the mid-year, the City is doing well. The financial report indicates that the City is ahead of budget and revenue. Two key pieces to that is the Arizona Cares Act Funding and the receipt of all the money in July. During the budget discussions, it was planned to use half of that last fiscal year and the other half this fiscal year, but due to the savings with the unfortunate COVID crisis, salaries and extra internet sales revenue, the City was able to differ all the grant revenue to this fiscal year.

This is the key reason why it shows that the City is ahead of budget. Normally grants are on a reimbursement basis so always seen is the grant revenue lagging the expenditures, but staff plugged that in and reported that to the State and the Feds as all used for Police and Fire salaries. That grant is in the close out stage and waiting for final items. They have approved the submission of the City's reimbursement and closed it out on their end. The City used all \$4.9 Million this fiscal year and probably the number one reason why the City is doing well this fiscal year, carryover from last year.

State shared revenues are ahead of budget at 11 percent due to the State increase in sales tax and state vehicle license tax due to the challenges that the dealerships had in getting cars on the lot and their incentives. The City's vehicle license tax revenues are ahead of budget as well as the State shared sales tax. On the local side, local sales tax revenues are also well ahead of budget. The month of December is the biggest which will be reflected in the next Council report, 15 percent ahead of budget on sales tax. This will decrease over time because staff does not try to plug in any cyclicity into the revenue projections, it is simply the annual divided by two. Therefore, it will be esque due to receiving the number one month of the year by far in December and 15 percent of it will gradually decrease through the end of the fiscal year. In addition, although, the State Legislature had stated that internet sales do not amount to anything, internet sales have given the City a half million dollars in additional sales tax revenue from July through December. The Wayfair lawsuit has also benefited the City greatly. People shopping in town has been a benefit since a lot of store in Tucson have been closed due to the crisis.

For the most part the City's hotel revenue is 30-40 percent down and eight percent down at times and as bad as that is for local hoteliers, in talking with the PIO there are a lot of cities that love to be this well off.

The concerns going forward for sales tax and these types of revenues are due to the new administration that has taken a different view of the military, border wall and its enforcement. The City will have to see in the next few months and years how the changes in governmental priorities may affect things.

Mr. Potucek stated that he expects to see hotel/motel revenues drift downward because of the border wall construction being halted. The City was filling up a lot of rooms with those workers. Mayor Mueller noted that over the longer period there will probably be less military travel.

Mr. Potucek added that those were temporary things anyway. Council Member Benning noted the increase in gasoline, \$2.60 per gallon, people are going to stay locally.

Mr. Felix stated that the City will not see the effect because of the lag. February sales are reported through March and the sales tax report is not completed until April. It will be about two months before the effect can be seen due to the freeze of the construction of the wall.

The General Fund transfer is not going to happen this year. Unfortunately, as part of the COVID crisis and the China situation, manufactures are having problems getting CHiPs for the police vehicles. The current year budgeted police vehicles, which is this year and last year are not expected until July, August, September, and that is if they can get them. This is all manufacturers and not just the Chevy's that the City has gone to and in

addition, they are expecting that to be occurring next fiscal year as well. The Procurement CPO is working to try and find some extra vehicles and there is a comment that a dealership in Texas routinely orders extra vehicles and the City may try to get a few more to get a couple of them in next year, but the \$1 Million for those vehicles will be carried over and there is no need to transfer that to the General Fund this year.

In response Mayor Mueller, Police Chief Thrasher stated that the Police Department is doing ok, but they still have some of the Crown Vic's that have high mileages. This will put the Department down by 14 vehicles on the replacement plan.

Mr. Potucek stated that this puts a little bit of a cramp in the rotation schedule and will create a bubble next year. This puts a burden on vehicle maintenance.

Mr. Felix stated that Fleet does a good job in cannibalizing any vehicle that they are getting ready to try and auction. There have been situations where the vehicles have been taken off the auction to be able to take parts from them to keep other vehicles going in the past. They do a great job of cutting every corner and scrounging everything that they can.

On the expenditure side the biggest savings are mostly personnel because the Police Department is down about \$300,000 on salaries due to vacant positions and when factoring in the 60 some percent PSPRS burden rate, it is not that many officers, but they like to be fully staffed. The second biggest savings is the COVID related closures, Leisure being shut down some from what they normally operate. The other thing is that the City did budget for this year the School District's fuel because they were buying it from the City. However, they have completed the fuel farm and they are not running many busses anyway, but that expenditure has not occurred; therefore, the City is below budget and below revenue on the fleet fuel sales and expenditures. They are at 36 percent spent for the year and staff will adjust this coming year's budget to remove the School District. The big savings in Fleet is due to fuel purchases being down due to no travel going on in the City and other agencies as well.

Mayor Mueller encouraged Council Members, especially the new ones, to talk to Ms. Yarbrough, Mr. Potucek or Mr. Felix if they do not understand the report.

Mr. Felix pointed out that there are certain expenses that departments have during the fiscal year, which can esque the numbers, i.e., maintenance contracts for IT are due at the beginning of the fiscal year, so they may look over budget when in fact that is a normal expenditure and likewise in Finance when paying the \$115,000 Department of Revenue fee to collect the City's taxes. Parks used to buy all their stuff late in the season, April, and May timeframe, because that is when purchases are made for topsoil, seed etc. to seed the fields.

Council Member Johnson stated that he is aware that the City has been working hard to work on the PSPRS issue. He asked if at midyear, the City could put extra money towards that fund. Mr. Potucek stated that the City has budgeted fully for what is believed the amount will be at the start of the year. There is always turnover in the Police Department, retirements, etc.; therefore, the final bill ends up being less than what was budgeted. The City makes the payment during the first part of the fiscal year for the full budgeted amount. The City is automatically paying extra right away, and it also helps the City in terms of interest expense and taking advantage of any investment gains that the

fund might have. He added that this is the first year that the City is seeing a potential decrease in terms of unfunded liability percentage since the City started doing this, about three years ago. The plan that is in place seems to be working.

Mr. Potucek stated that the report indicates that the City is set up very well for next fiscal year, both in terms of the projects that were deferred this year because of COVID because it was an unknown situation that the City was going into from an economic standpoint. There should be significant progress next year on the projects that are in the Council's Strategic Plan and there should be a healthy fund balance; therefore, staff will be making a recommendation to Council on two areas of primary concern, PSPRS being one of them and the funds owed to the Park Development Fund that Council voted to add extra funding to last fiscal year.

Mr. Felix stated that staff is also looking at certain Capital projects that were on this year's list and last year's list that have been cut. Also seen on the Capital Projects List is the carpeting for the Police Station, which has been cut from the list for the last five years of budgets due to it being a lower priority than other items that needed to get done. The items are getting to a point where they must be looked at and decisions need to be made on whether to do the whole project or phased, and what might be able to be fit into this year too that will help in the next year's budget process. He also stated that the current adopted fiscal policy says that if the City could hold the contribution rate the same if it required contribution decreases, the City would try to balance the budget at the current year contribution that will add extra contribution to the next year as well. He further stated that when putting the budget together, the City has already received preliminary notification in both Police and Fire contribution rates, which are supposed to drop by three percent next year. This policy was put into place about three years ago.

Council Member Johnson stated that the capital expenditures are up over the midyear budget and asked if that was due to the purchasing of the small strip mall on the West End. Mr. Felix stated that it is part of it, but the big part of that is the purchase of Veterans Memorial Park Sports Annex. He noted that the \$1 Million was paid out at the beginning of the year. Ms. Yarbrough explained that the City is not necessarily over budget. She explained that the number is taken and divided by two, so some projects move faster than others and some are still being worked on through the end of the year.

Council Member Benning asked about any red flags. Mr. Felix stated that the concern he and Mr. Potucek have is on what is going to happen to the revenues given the border situation slowing down of the wall and military travel.

C. [Chapter 94.04 Possible Code Revision regarding Commercial Activities in City Parks](#)

Council Member Benning requested that this item be removed from the agenda because he has enough guidance to be able to go back to the Park and Recreation Commission and have discussion.

D. Report on Recent Trips, Meetings and Future Meetings

Mayor Mueller reported that he attended the Rural Transportation Board Meeting on Monday, February 22, 2021 and learned that in the \$80 Million that the State got for

transportation there was over \$1 Million for Highway 90 and over \$5 Million for Highway 92, but they did not provide for the seven-mile post; however, none of that was reported to the SVMPO. He added that he believes the funds for Highway 90 will be north of Huachuca City and the funds for Highway 92 will probably be the roads on the way to Bisbee because the bridges have been fixed.

In response to Council Member Pacheco, Mayor Mueller stated that at first, he was told that there was not anything for Cochise County, but these two popped up when going through the list. This is preliminary information.

E. Future Discussion Items and Council Requests

Mayor Mueller stated that in two weeks included on the work session will be the education piece for economic development because he wants to get this done before holding the strategic planning sessions, March 22, 23, and 24, 2021.

Council Member Umphrey asked about Moody's Investors Report and the City's credit rating. Mayor Mueller suggested that Council Members meet with Mr. Felix, Mr. Potucek or Ms. Yarbrough so that they can have a basic understanding of the report. He added that the City gets a rating on an annual basis and it has been one of the top ratings for years and it talks about the pensions fund and other funds that are "boogie man hiding in the shadows". If there are more than a couple of Council Members that do not understand, then there probably needs to be a session with Moody's to explain.

Mr. Potucek stated that there are three rating agencies, Moody's, Fitch, and SNP. They trade off every year updating and giving a regular report to investors on what are the bond ratings. The bond ratings have stayed stable, which is good news. They make comments regarding where they think cities' fund balance should be in terms of reserves as well as debt ratio. Overall, the City's debt is steady, and the regular debt is low as they commented, but now they are having to report on pension liability as part of that ratio. He added that as the regular debt has gone down through the years, but there has been an increase in the pension liability. However, the overall debt is flat and now that the City is attacking the pension liability issues as well as keeping the debt down, he feels good about this.

Mayor Mueller stated that these ratings come out so that if the City can borrow money, then that will affect the interest rates that are borrowed at. The better rating, the lower the interest rate is, but the City is currently not able to do any serious borrowing, \$20, \$30, \$40 Million, but the City must be able to be able to pay it back and that is why the bond rating is kept as high as possible.

Mr. Potucek added that the City is in good position if Council wanted to do a bond issue; however, he does not foresee that soon.

F. COVID-19 Status Report

Mr. Potucek stated that Police Chief Thrasher has continued to provide the number of COVID cases. Most of the news is good as the case loads have gone down dramatically, both statewide and in the County. Improvement is being seen in town, hospitalizations are down as well, and the City is not in crisis. Vaccinations are still sketchy, but they are

being rolled out. Public safety staff that desires to be vaccinated is well taken care of and other key staff will be vaccinated. As that process continues, facilities should start opening around April and there should be enough key staff vaccinated to do that.

Mayor Mueller asked if the facilities will be fully opened because they are currently operating; although, each facility is different on what can be done. Mr. Potucek stated that he is planning to open the facilities in April. He added that he is aware that there are folks that are getting anxious for the City to open things up and it is a two-way street between keeping the public safe and keeping the employees safe. If the employees can be vaccinated, then the facilities can fully operate.

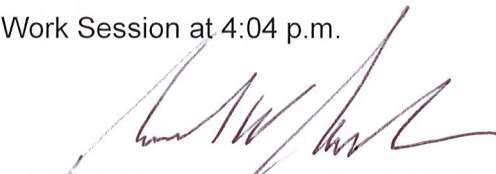
Mayor Mueller stated that Memorial Day weekend is being looked at for the Sips and Skies and the Three-Peak Challenge. He added that the Three-Peak Challenge is easy to set up, but the Sips and Skies entails bringing in the wineries and being dependent on whether the Governor has changed his requirements and working with the Liquor Board. He further added that this will be used as a template to determine how to put on the events so that when the July Fourth and other events occur, they may be back to normal.

Council Member Johnson stated that Art in the Park is also being worked on. Mayor Mueller added that they are working on all other events, July Fourth, Memorial Day, Veterans Day, and even the concerts that take place on Thursday nights.

Mr. Potucek stated that he believes that the community like to see these events take place, but unfortunately, the City is at the mercy of the Governor.

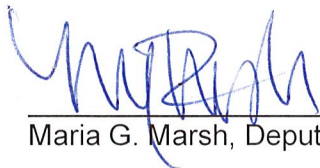
3. Adjourn

Mayor Mueller adjourned the City Council Work Session at 4:04 p.m.



Frederick W. Mueller, Mayor

Minutes prepared by:



Maria G. Marsh, Deputy Clerk

Attest:



Jill Adams, City Clerk