

Sierra Vista City Council
Work Session Minutes
April 9, 2024

Mayor McCaa called the April 9, 2024, City Council Work Session to order at 3:00 p.m., Council Chambers, City Hall, 1011 N. Coronado Drive, Sierra Vista, Arizona.

Mayor Clea McCaa – present
Mayor Pro Tem Carolyn Umphrey – present
Council Member William Benning – present
Council Member Gregory Johnson – present
Council Member Angelica Landry – present
Council Member Marta Messmer - present
Council Member Mark Rodriguez – present

Others Present:

Chuck Potucek, City Manager
Victoria Yarbrough, Assistant City Manager
Chris Hiser, Police Chief
Armin Lewis, Deputy Police Chief
Lis Chatham, Police Department Commander
Brian Jones, Fire Chief
Sharon Flissar, Public Works Director
Gabriel Squires, Public Works Internal Operations Manager
Laura Wilson, Leisure, Parks, and Library Director
John Healey, Sports Coordinator
Matt McLachlan, Community Development Director
David Felix, Chief Financial Officer
Jennifer Dillaha, Budget Officer/Management Analyst II
Kennie Downing, Chief Procurement Officer
Adam Curtis, Marketing and Communications Manager
Elizabeth Wrozek, PIO
Tony Boone, Economic Development Manager
Michael Slania, Industrial Development Authority Attorney

2. Presentation and Discussion:

A. April 11, 2024 Council Meeting Agenda Items ([agenda attached](#))

Mayor McCaa stated that the agenda starts with the call to order, roll call, invocation led by Pastor Becky Preiss, Hope and healing Christina Church, the Pledge of Allegiance led by Council Member Landry, followed by the 2024 Water Wise Youth's Poster Contest Awards and proclamations for Water Awareness Month, Young Child Week, Fair Housing Month, and Sexual Assault Awareness Month.

In response to Mayor McCaa, Mr. Potucek announced the SEACOM JPA Meeting on Thursday, April 11, 2024 where the two largest items on that agenda will be the upcoming budget for SEACOM and the recommended change to the intergovernmental agreement regarding the County's request for an additional vote. He stated that he has met with Sheriff Dannel and the County Administrator, and he believes that they have come up with some compromise language which will have the Sheriff chairing the Operations Committee as was originally designed, but still being on the JPA Board. The supervisors would then be able to name somebody to the board which would be the County Administrator. The Sheriff would be on the board but would only have a vote in the event of a tie. There are also provisions in the bylaws that will be moved to the intergovernmental agreement which will call for supermajority votes that pertain to things like budget or bringing on additional members or items where there could be controversy or require a significant vote. There are added

protections in the intergovernmental agreement that will make this workable. The City Council will then have to approve it. Lastly, he stated that the February sales tax numbers are very discouraging, down seven percent over the previous month and down across the board categories. He noted that this is one of the poorest months he has seen since the recession, but this is something that bears watching.

Item 2.1 Discussion and Possible Action of the Work Session Meeting Minutes of March 26, 2024 – There was no discussion.

Item 2.2 Discussion and Possible Action of the Regular City Council Meeting Minutes of March 28, 2024 – There was no discussion.

Item 2.3 Discussion and Possible Action of Resolution 2024-018, Appointment of David Jones to the Sierra Vista Environmental Stewardship Commission, said term to expire April 30, 2026 – There was no discussion.

Item 3 Discussion and Possible Action on Resolution 2024-019, New Series 10 Limited Liability-type Liquor License for Francisco Javier Romero on behalf of DG Retail LLC dba Dollar General Store #24646 located at 5240 E Highway 90, Sierra Vista, Arizona

Ms. Adams stated that this is an application for a new Series 10 liquor license, a beer and wine store, for the Dollar General Store that currently opened on the corner of Highway 90 and Avenida Del Sol. The notice of the public hearing was posted on the facility, and the Clerk's Office has not received any comments, pro or con to this license being moved forward. The Police Department has done their background check of the applicant as well as two of the primary members on the liquor license and has no objection to it moving forward. If approved on Thursday, April 11, 2024, it will be returned to the State for final action.

Item 4 Consideration of DRAFT PY 2024 Community Development Block Grant (CDBG) Program Annual Action Plan

Mr. McLachlan stated that the City is moving into a new five-year consolidated planning cycle which includes the City's first year Annual Action Plan. The Consolidated Plan establishes the goals and priorities that future Community Block Grant (CDBG) funding will be put towards to advance the City's housing and community development goals. The Community Development Department is still working with a funding estimate because the official allocation has not yet been announced.

The Plan assumes that the City will continue to receive around quarter \$1,000,000 annually to be put towards projects and programs. Based on the feedback that was received at the work session in January, the department will continue to plan and carry out activities centered around public infrastructure and facility improvements, improving accessibility, and helping with homeowner rehabilitation and supporting nonprofits and providing needed services. Towards this end, the Annual Action Plan recommends next year's allocation to go towards completing the needed fire hydrants in the Montebello Neighborhood, replacing the beds and mattresses at Good Neighbor Alliance, and splitting the public services budget between the Boys and Girls Club and United Way to fund before and after school scholarships, and the Emergency Crisis Fund activities. The amount allocated towards projects will be proportionally adjusted to match the actual allocation when it comes in.

HUD requires all CDBG recipients to affirmatively further fair housing. The Analysis of Impediments to Fair Housing Choice or AI report is updated every five years with the Consolidated Plan. The Arizona Attorney General's Office is responsible for administering fair housing complaints in Arizona. The HUD Office of Fair Housing and Equal Opportunity maintains data for the state. During the previous five years there have been only five complaints, a credit to the real estate community, getting the word out, and adhering to fair housing laws. The documents were publicized on Facebook for public review and comment for the next 30 days that will close on May 8, 2024. Any information that is received will be shared with Council when the Plan is presented in its final form at

the first or second meeting in May. It is going to depend on when the City gets the official allocation.

Council Member Johnson stated that the Council was recently approached by Good Neighbor Alliance because they were running out of money, and he wonders if the CDBG funds can be used for operational purposes. Mr. McLachlan stated that public services are capped at 15 percent. The replacement of the bunk beds is considered a project and that is under the 70 percent devoted to low to moderate income benefit, which the City can categorize separately from the public services line item in the Annual Action Plan. Normally CDBG funds cannot supplant general operating expenses. It must be augmenting an existing service, a quantifiable increase beyond the base level that is historically been offered.

Council Member Johnson noted that Council is going into budget sessions and Good Neighbor Alliance has asked the City for help, but there are other issues that the Council must confront in addition to lowering of the taxes, which is a concern to him.

Council Member Benning stated that the Good Neighbor Alliance is getting CDBG funds, but they were also asking for a line item on top of that in the City's budget.

Council Member Rodriguez referred to page 170 about reaching out to homeless persons, especially unsheltered persons, and assessing individual needs. He asked if city government cannot directly assist persons experiencing homelessness because there are currently no policies or mechanisms. Mr. McLachlan stated that he does not believe that there is a statutory prohibition to city governments providing direct assistance to homeless. The City has been working through its nonprofit partners on the Continuum of Care, Good Neighbor Alliance, Better Bucks of Sierra Vista, and that has been the approach taken, the posture that is reflected in the narrative on page 170. Mr. Potucek added that there are two different issues. The City can afford a project or expend CDBG funds on a project which has been done many times in the past. The other issue is a request for over \$200,000 to help keep Good Neighbor Alliance running, and while there is no prohibition for Council to do that, the City cannot simply hand money over to anybody. The City Attorney would say that those would be gift clause violations and the City would have to either go out for an RFP for services, or in the case of that amount of money, give them operating funds for their budget, which would mean that the City would essentially be taking it over, or paying for it all at that point. However, there are issues associated with that and there is a lot that would have to be worked through to accomplish that. Not that it cannot be done.

Council Member Rodriguez stated the issue was brought up and he had hoped to get a joint meeting with the County to find out where they stand with this. Mr. Potucek stated that he has not heard anything and noted that the difference is that the City of Sierra Vista does not own the shelter. The cities that do fund shelters, owns the shelter and it is on their property. If the City of Sierra Vista were to fund the shelter, the City must own it and take over the whole program. Mr. Potucek stated that he is correct. The City would spell out what services would need to be provided and there would be a need to know about financials, a lot of things that the City would have to get into.

Council Member Landry noted that there is a lot of information in the document and thanked staff for their hard work. She added that she did see that it was shared on Facebook for public comments and hopes that a lot of the public looks and provides comments, suggestions, and feedback.

Item 5 Discussion and Possible Action of Resolution 2024-020, Restating the City's Commitment to Fair Housing in Sierra Vista

Mr. McLachlan stated that the resolution restates the City's commitment to fair housing in Sierra Vista. The City must affirmatively further fair housing in the community. One of the ways that this is expressed is through this resolution that is passed that states that discrimination is illegal in Sierra Vista and that there are avenues available for people to seek recourse if they feel that the law has been broken. The City publicizes these resources on brochures and handouts in all public buildings. This resolution testifies that the City of Sierra Vista supports fair housing in the community.

Item 6 Discussion and Possible Action of Resolution 2024-021, Authorizing the Issuance, Offer, Sale, and Delivery of one or more Series of its tax-exempt and/or taxable Education Facility Revenue and Refunding Bonds for Desert Heights Charter School Project, Series 2024, in an Aggregate Principal Amount of not to exceed \$16,000,000

Mr. Slania stated that the Sierra Vista Industrial Development Authority (IDA) has previously approved proceeding with the Desert Heights Charter School Project in the amount of not to exceed \$16,000,000. This is two existing schools that the IDA is refunding existing bonds with the goal of lowering the rate and adding some more money to allow improvements to the existing schools. It will be publicly sold through Collier Security and does not involve a financial risk to the City nor to the Sierra Vista IDA.

Item 7 Discussion and Possible Action of Resolution 2024-022, Authorizing the Issuance, Sale, and Delivery of one or more Series of its Education Facility Revenue for Edkey Charter Schools Project, in one or more series, in an Aggregate Principal Amount of not to exceed \$75,000,000

Mr. Slania stated that this is a bond issue for Edkey Charter Schools, a much larger chain of schools, almost like a school district. The interesting fact on this one is that they are the first ones to have a charter school in Phoenix for homeless children. They had a bus that went from location to location, shelter to shelter, to pick up the kids. They have a foundation that they are affiliated with that provides additional items. This is refinancing, adding to their existing facilities, and adding one more facility in Show Low. There are a variety of locations throughout the state.

Council Member Johnson stated that he is glad that Council is looking at these and funding things within the State.

B. FISCAL YEAR 2024-2025 Budget: [Revenue and Debt Presentation](#)

Mr. Potucek that this is the first of budget work sessions for the coming fiscal year. Revenues are a great place to start because that provides an idea of how much will be available to allocate to the various projects and programs that the City has. Debt numbers are pretty much already locked in because staff already knows what those are. Basically, the process starts with revenue, subtract out the debt and then start getting into the personnel, O&M, and capital budget.

Ms. Dillaha stated that the first step in the budget process is to calculate revenue projections. These projections go on to provide a base budget and will show any constraints for the new fiscal year requests. Staff determined revenue projections by using historical trend analysis as displayed in the budget book, it is not uncommon to go back as far as 10 years to track what revenue progressions are in the funds. All projections lean on the conservative side to account for fluctuations in the economy, and staff keeps a close watch on any legislative changes. This combination of techniques provides relatively accurate projections of revenue streams.

A chart was displayed of revenue broken down by fund which depicted Fiscal Year 23 revenue budget at \$204 million and Fiscal Year 23 actual revenue at \$88 million due to grants. Municipalities in Arizona must account for potential grant revenue in their balanced budgets. The most noticeable example is in HURF. In Fiscal Year 23, the City actively competed for \$44 million in HURF grants and in Fiscal Year 24 the number increased to \$61 million. The same goes for LTAF and Airport. LTAF shows a small revenue amount in Fiscal Year 24, but Ms. Vasquez is working with ADOT to help smooth the process along.

Revenue in the Capital Improvements Fund for Fiscal Year 24 is the difference between the TPT coming in and any transfers out and debt payments. These are shown to be higher than the budget in this case because Mr. Felix has not yet done the transfer at the end of the year.

For the Internal Services Fund, the City typically receives the payment at the end of the year and that is why it is showing to be currently small.

Council Member Rodriguez asked about the EV chargers. Ms. Dillaha stated that the expense is not shown in the slide, however, she can e-mail that information to him.

A chart displayed showed Fiscal Year 23 summary by major funds that is currently going through the auditing process. Therefore, these numbers are actuals in revenue, personnel, O&M, capital, and debt, which results in the estimated net change for each fund at the end of the fiscal year. In the General Fund, the \$2,000,000 of the net change went to the additional PSPRS payment and the Schneider projects are reflected in the Capital Improvement Fund.

The enterprise fund shows that the revenue received is not enough to cover the operational costs and personnel costs that are increasing; therefore, the potential for a rate increase is in discussion to help improve the situation.

Council Member Johnson noted that the fund is projected to be \$300,000 in the red. Mayor Pro Tem Umphrey stated that it is not a potential discussion, but more of a "have to" discussion. Mr. Potucek stated that the City is in a situation where there will be a need to use reserves and the fund is cash negative which has been mentioned to the Council for a couple of years. This will probably dictate sewer and refuse rate increases that staff will be working on through the summer.

In response to Council Member Johnson, Mr. Potucek stated that the tipping fees have stayed stable for several years. This is one component of refuse, but it is more on the operational end, personnel trucks, and maintenance on trucks. Maintenance costs for vehicles, parts, and fuel have gone up dramatically over the last couple of years. Also, the City has had to give out higher than normal raises to keep up with the inflation and the other cities that Sierra Vista is competing with for talent. All these things combined have caused some significant issues primarily in the refuse fund. The sewer fund has a few high-cost maintenance projects that are coming, and the fund has been running a little behind for a couple of years. The City has not raised rates since 2014 and inflation is really the major cause.

Council Member Johnson asked Mr. Potucek if he is suggesting that Council consider increasing these fees in the next fiscal year. Mr. Potucek stated that it is a recommendation that staff will bring forward. Ms. Yarbrough pointed out that this is the actual Fiscal Year 23 end, and this is how last year ended. Staff has not actually seen this year's losses yet because it is not yet the end of this fiscal year. In closing, Mr. Potucek stated that it can be assumed that they will probably be losses.

Council Member Johnson asked if it is a rule that an enterprise fund is supposed to break even. Mr. Potucek stated that he is correct.

Council Member Benning asked about recycling rates and stated that he would like to see the same process that was gone through when the rates were raised. He further stated that he does not like raising rates. Mr. Potucek stated that staff does not like that either, but they are enterprise funds, and the City has a responsibility to at least break even in them. If there are some reserves, then yes, the City can do that, but the City cannot keep operating in this fashion and at some point, something will need to be done. Staff will provide a very thorough analysis of the revenues and what is going on with that. He then assured Council that recycling revenue will not be the answer. This will just make these bracketed numbers bigger.

Council Member Rodriguez noted that the Strategic Plan mentions keeping trucks that would be normally auctioned off longer as a backup in case a truck breaks down, and asked if this is in line with trying to save some money. Mr. Potucek stated that there is a break-even point where the trucks are down and the parts cost more than the cost to replace them. Therefore, staff is always looking at that point to determine when a truck needs to be retired from service. Ms. Flissar added that the issue with the trucks is like all things, the escalating costs. A couple of years ago, the City could buy a truck for \$350,000; however, currently those same trucks are \$500,000, half \$1,000,000 for refuse trucks that certainly makes staff take a second look for other options. Staff has recommended a refurbishment to some of the trucks that may still have some life left in the engine; however, some of the components wear out sooner than others, i.e., the arm on refuse trucks that

goes up and down about 1,000 times per day. However, there is a break-even point on that, and the bottom line is that they are high utilization vehicles that also do not do very well on gas mileage. Refuse trucks are heavy and with all the start and stop, they get about five miles to the gallon, sometimes less than that. When looking at the escalation, the fuel cost is certainly factored into it as well.

Council Member Rodriguez stated that there was an issue before with the refuse place being too close to where the trucks could not get up to because the diesel trucks must be parked and left running. He asked if this is still another part of the equation that is costing the City. Ms. Flissar stated that the issue there was the speed of the truck and the RPMS associated with that speed. The system that newer diesel vehicles have require a certain number of RPMS to operate efficiently. The trucks due to being driven in town do not have highway miles, which makes it difficult in reaching that limit. However, technology has improved, and they do not run into that as much as in the past.

A chart was displayed with the Fiscal Year 24 summary by major funds to date. These numbers will change as there is still the last quarter to go. Staff is not worried about the negative numbers for several reasons. First, the allocations and transfers happen at the end of the year, second, the revenue is still coming in, and thirdly, the city sales tax has a two-month lag. Staff just received February's numbers with March's numbers in May. The same goes for the state shared revenue that are at least a month behind. The City is also waiting on any grant reimbursements.

Council Member Benning asked about a projection for this year on sewer and refuse. Ms. Dillaha stated that staff does not currently have that.

The Fiscal Year 25 projections show the EPT through January at 2.82 over Fiscal Year 23 and 5.68 percent over budget. TPT through February shows a .8 percent over Fiscal Year 23 and a 4.1 percent over budget. With these numbers, staff is projecting a 2.5 increase over Fiscal Year 24's budget. This is not all General Fund revenue and part of the TPT number will be transferred to the Capital Improvements fund.

The property tax levy rate will be proposed at 0.1033 to generate \$387,167. The increase from last year accounting for new development.

Franchise fees show a slight growth in licensing and permits, business licenses and ACO fee revenue remain flat, while right-of-way permits decreased 10,000 and building permit revenue increased about 100,000. Grants and local government payments have been kept flat as staff is still working through those.

Prop 207 shared revenue shows a slight increase. This money is used as a payment towards PSPRS. In GMC revenue, the increase to labor, parts, and fluids revenue is not enough to make up for the loss of the fuel sales. Therefore, staff is currently projecting a decrease in that stream. The transit revenue accounts for the tower leasing and the ad sales for the buses.

The airport has seen a significant increase, a million more in fuel sales, increases in hangar leases, a hangar electrical, or an office space rental. This revenue will help as the City applies for the spaceport license.

Staff is looking to restructure some programs in PRL and anticipating a slight decrease in revenue overall in Fiscal Year 25.

Council Member Rodriguez asked if the sale of fixed assets is related to auction items. He also asked how those prices are set. Mr. Potucek stated that the City puts those out online. He explained that if it is a major item like an ambulance and it was decided to try to donate it to Cananea for instance, that would be brought before Council. Otherwise, most of these items are old and are already excessed. Therefore, staff tries to get the best that they can through the online auction. Ms. Downing added that in her department there is one employee dedicated to surplus and

his job is to make sure that he knows what the market is and what the minimum is to pay. For example, the street sweeper for the airport that was just sold at surplus. He sets a minimum reserve amount which means that the City will not go below this amount to sell it. The City is not going to give away its assets. Therefore, he checks the market and determines a minimum. The minimum for the sweeper would be \$5,000 and through the online auction, the people who are bidding would try to surpass the minimum and then outbid each other. The street sweeper's minimum reserve was set at \$5,000 and the highest bid was about \$18,000. It was higher than expected, but a reserve is set; however, the revenues are based on what the market will bear, who bids on it, and how high they bid on it.

Council Member Johnson stated that he does not understand how the City had a Fiscal Year 23 budget of \$81,000,000 and came up with almost \$7 million. Then in Fiscal year 24, budgeted was almost \$80 million, but ended up with \$534,000. He asked why staff is projecting almost eighty \$80 million on grants when the federal government is already broke. Council Member Benning explained that if they do not budge for these, then the City cannot go out for the grants.

Council Member Johnson stated that he understands that these are placeholders, but when he looks at Fiscal Year 24 projections and actuals, he becomes concerned because they are not even close. Mr. Potucek stated that this is due to State Budget Law. The staff is very good about pursuing and identifying potential grant opportunities. All of them must be accounted for in the budget to spend them if the City gets them. The City is probably not going to get most of the grant and the numbers reflect that. However, if the City did, the City would not be able to spend the money if the City got the grant. Therefore, this is the reason why that number is always inflated and makes the overall budget look extremely inflated every year.

Council Member Johnson voiced his concern with the public wondering if the City is spending all that money and where the City is getting all this money. Mr. Potucek stated that the answer is in the actuals and no, the City is not getting all this money. Ms. Yarbrough added that some things that might help clarify this is that the City has a few grants that have been awarded that are lagging; therefore, staff is not going to put them in actuals until the grant is applied for and the money is received. Examples of those are the Federal Transit Administration grants for curb gutter and sidewalks, and a street light project, which have all just been recently bid that were awarded in Fiscal Year 23. However, the City is not going to spend that money until this year or possibly in Fiscal Year 25. These are in there, but they will not show up in the actual line. Another big portion of that is some of the street projects that have been applied for each year. The City has accounted for \$20 to \$40 million just in this year's RAISE Grant application, alone is \$20 million. This will be the third year that the City has applied for that; therefore, it does increase that number and this is the year that the City was told by that granting agency that the City has a strong chance of getting it. Therefore, staff will account for that one again. These are some of the things that will make that number look larger than it probably should be, but the City must carry them forward year to year.

Council Member Benning asked about the property tax levy. Ms. Dillaha stated that the proposed rate is the 0.1033. Taxpayers would pay the same as last year, but the increase in the number is due to new construction. Mr. Potucek stated that the State restricts cities in terms of what it can get in primary property tax levy. The City's levy number is very low, and it has been the Council's policy over the past 25 years not to raise the property tax rate. The rate drifts downward each year as assessed valuation goes up. Therefore, the City avoids any advertising associated with truth and taxation. The Council can raise the rate, but the amount of revenue that the City would get would not address any budget issues that the City might face. It is a stable revenue source, but the Legislature is taking it away from cities and towns.

Council Member Landry asked if the difference in Fiscal Year 23's donations due to the animal shelter donations not being what it was initially. Ms. Dillaha stated that she is correct.

Anticipated is an increase in the investment income for the coming year. The donation line includes organizational grants as well. The projected Fiscal Year 25 revenue is \$176,558,111. Fiscal Year 24 actuals are to-date, but there are a lot of spring projects to come.

Fiscal Year 25 State shared revenue projections were displayed. The City received the League's preliminary numbers and historically, the City uses 95 percent of the League's estimate. They are currently using 2022's population estimates and they will modify their number when they receive the 2023 population estimates in late May. By that time, the City should be able to refine its own State shared projections.

Fiscal Year 25 State shared revenue projections show the continued impact of the flat tax and the increased shared percentages on the URS income. Anticipated is \$8.5 million in regular URS revenue and a \$1,000,000 offset. Fiscal Year 26 is forecasted to show about a \$500,000 decrease with slight increases trending up every year starting in Fiscal Year 27; however, the State shared sales tax revenue shows a 2.5 percent increase while HURF and BLT remain level with Fiscal Year 24.

Council Member Johnson asked if the sales tax still includes the food tax that may or may not be in jeopardy based on the legislature. Mr. Potucek stated that the food tax is included in the City's TPT or sales tax numbers. That is not reflected in the State shared revenue numbers, but previously it was included, it is a major factor. The City has not heard anything from the Legislature with regards to taking away food tax from cities and towns yet, but last year the rental tax ended up in a last second budget deal that is hurting the City in terms of upcoming revenues for that source. Staff is keeping a very close eye because the budget will probably not be settled until the last minute again this year at the state level. These numbers reflect slowdowns in the state economy with regards to revenue collections and low growth in population as opposed to the rest of the state. The City is getting offsets to urban revenue sharing (URS) that is the income tax. The City got a \$2,000,000 offset last year and this year the City is getting a \$1 million offset. However, the City does not roll those into the base budget. These are used as one time expenditure items because if the City builds its base budget off this revenue source which is going away will end up causing trouble in terms of balancing the budget the next fiscal year. The sales tax number growth is very low for the coming year, and the HURF which goes towards street maintenance is flat which has not seen a growth revenue source for the City for a long time. With EVs the City is not going to see gas tax revenues going to go up anytime soon and the legislature has been loathed to increase gas taxes. The other one that is disappointing is the vehicle license tax or auto tax which is also projected to be flat. A lot of these were generally growth revenue sources in the past, but that is not being seen so much now based on these numbers and it bears watching because that is going to impact the City going forward. When budgeting and adding costs, personnel costs, O&M, capital costs, a lot of it because of inflation, and bumping up against the realities of these revenues, it really puts a squeeze in terms of balancing future budgets.

Council Member Rodriguez asked about the limits on the urban offset when it comes to what can and cannot be done with it. Mr. Potucek stated that it is a General Fund revenue so it could be used. However, the \$2 million went towards the school road project last year. Ms. Yarbrough stated that it was the construction of the Buffalo Soldier Trail extension because of the school and transferring it into the capital improvement fund for a one-time capital purchase.

Fiscal Year 25 debt projections show the principal and interest payments for both Schneider One and Schneider Two bonds that total \$3,235,194.00. It also shows the Fiscal Year 18 sewer bond refinancing and the Fiscal Year 21 equipment finance for refuse. When possible, staff will try to purchase equipment and vehicles outright to keep the debt low. If the City has no debt issuance in Fiscal Year 24 or Fiscal Year 25, the beginning balance for total debt as of July 1, 2024 is \$17,259,783. Mr. Potucek stated that the City's debt numbers are very low in comparison with other cities.

A chart was displayed that compared Fiscal Year 24 budgeted revenue and Fiscal Year 25 projected revenue by major fund. Fiscal Year 25 numbers will be refined throughout the budgeting process. Currently there is a slight increase in General Fund revenue. However, for Fiscal Year 25, the City will prioritize a two percent step increase for personnel. Also, current O&M requests are at \$1,000,000 higher than Fiscal Year 24. HURF was kept level at this time since staff is still working

through grant and requests. LTAF revenue in Fiscal Year 25 does not show local matches or new projects yet. In enterprise funds, the sewer shows the Riverstone Project taken out and this is why there is a -\$960,000 that is going to be a carryover. The \$25,000 increase in the refuse revenue will not be enough to offset the increases in operational and personnel costs.

Mr. Potucek stated that the slide shows the challenges that the City will have in balancing the budget this year. Staff has already talked about the enterprise funds and the need to recommend rate increases and the General Fund difference in overall revenues year over year is \$423,000; the projected raise alone will eat that all up. Staff has not yet talked about other personnel requests, market adjustments, O&M increases that are a million over where staff is for balancing the budget, and capital as well. There is a lot of work to be done yet to get to a balanced budget. Lastly, he stated that it is not unusual to be \$1,000,000 out of balance at this stage of the budget.

An overview of Fiscal Year 25 budget projections by major fund was displayed that provided a good idea on what staff needs to focus on. This will also change with each presentation and seen will be a progression at each budget presentation as the process goes closer to adoption. The first column shows projected Fiscal Year 25 revenue, the second column shows an estimate of Fiscal Year 25 personnel with the two percent step increase and then using Fiscal Year 24's allocations. The third column is the current O&M request for Fiscal Year 25 that shows the \$1,000,000 over last year. However, staff is still working with the departments to try to trim that. Staff is still working through capital requests. The 4th column uses the Fiscal Year 24 capital budget numbers and current projects that is anticipated Fiscal Year 25 debt with the net change in each fund on the last column.

Ms. Dillaha stated that staff is not worried about the Enterprise Fund because Mr. Felix has a special spreadsheet where he takes all the revenue, projects, capital, O&M, and provides it to Public Works and so that they can work together to try to balance it.

The next steps in the budget process are the capital, personnel, and O&M presentation at the April 25, 2024 work session and a balanced budget on May 9, 2024. Council will have the tentative budget book before the Memorial Day weekend.

C. [Six-month Strategic Plan Update](#)

Ms. Yarbrough stated that the Council is in its first six months of their Strategic Plan covering the months of July through December. Most of the priorities and initiatives are marked as ongoing or on schedule except for Initiative 12.1, developing a special event policy, which was marked complete. Council discussed this last summer and decided to not establish a policy beyond the current policy of charging everyone the same established rates; however, Council could revisit that at any point.

Priority One, Street maintenance - The Pavement Condition Index study was completed and returned to staff who are currently reviewing it and will plan a work session in the next couple of months to present to Council the conditions of the streets.

Priority Four, Effectively planning for water resources – There has been a lot of exciting work done by the various water groups that staff are involved in, especially the Cochise Conservation Recharge Network and the SPRNCA Adaptive Management Committee. The Adaptive Management Committee of the SPRNCA Group was awarded the America the Beautiful Challenge Grant last year and staff has been working hard to get that implemented; however, Sierra Vista is going to be one of the few who has not implemented this the fastest.

Ms. Yarbrough gave kudos to the Procurement staff and the coordinator who are making this happen and stated that strategic planning by both the CCRN and SPRNCA AMC groups was done this spring. Staff is currently coordinating with Fort Huachuca staff on a potential army endowment to fund the ongoing efforts of the Adaptive Management Committee. In general, there is a significant amount of federal dollars that are flowing towards these groups, especially through RAPI and the Sentinel Landscapes Programs towards the various projects that these groups work on.

Initiative 14.1, Evaluation, and study of the implementation of a municipal court - There has been a lot of work by staff preparing two requests for proposals. Staff first went out last fall for an evaluation and a study which had only one proposal, Rounds Consulting in the amount of \$65,000, but there were no funds budgeted to complete this study. Therefore, staff looked at the RFP and put it back out for a second round to try and bring the cost down. The RFP period closed, and the same consulting group again proposed \$65,000 to do the study. Therefore, Ms. Downing reached out to them and asked them to reconsider and provide the City with a best and final price and to break down the different components of the study. They came back with a much better overall price of \$34,500 and broke down each component of the study into a specific cost.

Staff is currently asking Council for direction on how to proceed. Staff could move forward with the study at \$34,500, have the study broken down into one, two, or three of the components, or budget for the study to be completed next year.

Mayor Pro Tem Umphrey asked about the components that are included in the \$34,500 offer. Ms. Yarbrough stated that there are five potential tasks:

- Task One, an analysis of the need for the new court at \$4,500;
- Task Two, preparing a construction cost benchmark study for \$9,000;
- Task Three, a review of operational information provided by the City and determination of cost range that would be determining ongoing operational costs for \$3,500;
- Task Four, an evaluation of economic benefits, which would be the analysis and forecast of potential economic benefits a new court might bring to the City for \$5,000; and
- Task Five, an evaluation of viability that would forecast citywide tax revenues and expenditures over the next five and 10 years and analyze the financial feasibility of developing a court for \$12,500.

Council Member Rodriguez asked if this is like any other feasibilities that have been done recently and on par with the same components for the same price. Ms. Yarbrough stated that the City has done some of this work already as recently as 2019, or 2020, 2022, and then once well before that. Staff has done a very high-level estimate on the costs of constructing a court. Staff has the operational costs from the County that comes in the annual breakdown for what the portion of the Sierra Vista Justice Court costs to the City will be. Staff has not done the economic projection over the next five to ten years nor the evaluation of economic benefits. For the other three tasks, staff has done a robust assessment of those.

Council Member Benning asked about the number of hours that staff has spent on getting bids, reaching out to people, and getting information. Ms. Downing stated that she gets paid for all the bids that she does for the City and usually preparing an RFP like this is probably a six-hour venture from developing the document, posting the notices, developing the website, a pre bid meeting that costs staff time because staff must attend the meeting to answer questions, follow up with a question and answer period so that the bidders can respond properly, and then opening the bid. Usually, the bids are a four-week process which was round one. It is about 16 hours per bid and this one had two bids. Mr. Potucek stated that he is inclined to recommend proceeding with the current bid at \$34,000 because the consulting firm that Ms. Downing has been working with is very reputable around the state in terms of economic forecast. Also, there are a couple components with regards to construction cost estimates and the budget viability or forecasting out how well the City can bear the costs of having a municipal court would be valuable coming from another source like Rounds Consulting. This is also one of Council's Strategic Plan items. Although, it is not in the budget, staff has done a great job cutting the original bid in half and staff can find the money to get this underway.

Council Member Johnson agreed with Mr. Potucek and thanked Ms. Downing for her hard work. He noted that consultants like to give out one big package and not really specify what they are providing. The breakdown will give Council sufficient information going forward and into the future to see if there is a viability for a municipal court.

Council Member Rodriguez stated that if Council does not proceed, the bottom line is that Council

will never know how much it is and what the alternative is to what the City is currently doing.

Council Member Benning stated that he would go off staff's numbers that have been presented on three different occasions. He added that it seems to him that Council is throwing good money to bad and wonders if this is absolutely viable, if this is going to be done, or if Council is just kicking the can down the street because they are upset with the County. He added that he agreed in the beginning with Council Member Johnson to look at this to find out if this is something that the City could set up. However, being discussed is a fund and an establishment from all the numbers received from staff that is going to start off negative and keep getting negative.

Mayor McCaa agreed with Council Member Rodriguez and Johnson because currently the Council does not know. Mayor Pro Tem Umphrey agreed and noted that needed is a more comprehensive look. Council Member Johnson stated that it is either this or be held hostage by the current Justice of the Peace Five.

Mr. Potucek stated that he is most intrigued with the consulting firm looking at the City's budget, revenue, and cost projections going forward that is going to provide a real good idea of what the annual cost would be that would probably apply to a lot of other things that the City does as well. Therefore, it is nice to get an outside look at the City's projections. Most likely, Council will be talking about this again because the Justice of the Peace's contract is due to expire by the end of the year and there will be negotiations, robust conversations.

In response to Mayor McCaa, Council gave consensus to move forward with the study.

Council Member Landry voiced her appreciation of the breakdown of the Strategic Plan and noted that she likes seeing many groups working together to get to the point to where the Strategic Plan is at, i.e., commissions' work, the Better Work Program, and the number of things that are being done to meet the Strategic Plan goals. She pointed out that the grants tracker spreadsheet for Priority Five, Identifying grants and funding opportunities, is great because she likes to hear about what is going on as well as the fact that staff are currently working on 32 active grants.

Council Member Rodriguez also stated that he likes the grants tracker and requested a copy. He also requested the projections on the EV chargers and inquired about improvement with building owners on the West End when it comes to applying for grants. Ms. Yarbrough stated that staff will provide him with grants tracker and projections on the EV Chargers. Mr. McLachlan stated that it is a mix year-to-date between the property owners and the tenants. The most recent application approved was from Forty Properties who owns the plaza where the Circle K is at Carmichael and Fry. They are assisting a tenant with an expansion and doing the internal renovation work. Dane Abrams renovated his façade, and he is the property owner and funded the facade improvements at the former Sun and Spokes building. However, there are also tenants applying. He further stated that Gifted Creations who is in the process of opening is a tenant who applied with cost participation from the owner; therefore, the grant will go back to the tenant.

Council Member Rodriguez noted that any time that the parks are mentioned in the Strategic Plan it falls under a few things, i.e., quality of life, sports, and the City is investing a lot of money, but not all the security cameras are up. Ms. Yarbrough stated that as a specific project, no, there is not a Strategic Plan goal related to putting cameras throughout parks. It is more of an internal project that staff has discussed related to the real time crime center. The first area that staff discussed that was the most important was the Veterans Park Sports Complex, Fire Station II, which is currently underway, Fire Station 1 that is proposed for next year, and then brought in will be III and IV as well as Cyr Park. This is something that staff is keeping an eye on and building out over the next few years. Mr. Potucek stated that Mr. Rubio in IT oversees that process. It is ongoing and there is progress being made.

Council Member Rodriguez stated that he liked Priority 12, where the City is getting with the times to have tap to pay and added that he is aware that there are fees involved. He noted that Square was mentioned, and their admin fees can get outrageous. However, he is also aware that this will be a

part of the contract when renewing. He also voiced his appreciation for Priority 12.1, Special Event Policy, updates about the Hummingbird Festival and ideas going forward, and noted that the Arts, Humanities, and Cultural Diversity Commission was talking about hummingbird art as well as having utility boxes in the area that hopefully can happen by tying it to the Strategic Plan.

In response to Council Member Rodriguez, Mr. McLachlan stated that the two properties in the Sulger Subdivision mentioned in Priority 17 are the properties that were demolished and in a flood zone.

D. Discussion on Future Options for the Youth Commission

Council Member Rodriguez stated that he has talked to other cities and towns on how they operate a youth commission and there are a variety of ways. Some cities and towns support their youth commission through the general fund while others have each council member setup a special project fund, and if not used during the year is then donated to the youth. Moving forward, he would like to move from a commission to a mayor's youth group to have more flexibility without losing the benefit of being sworn commissioners. Currently the commissioners are not allowed to have a group chat and reply to all in an email, and they have all these ideas, but are strung. They have worked hard to try to keep it to where they can have a quorum.

The Commission would still like support from the City when it comes to transportation to and from airport, use of the City's logo because it is a City youth group; however, they do not want to be an official commission. It could be a youth council, a mayor's council, or a mayor's youth group, which are the names that other cities in Arizona are using. Some of them are former commissions and have changed it to something else where they have more leeway when it comes to the youth because it is a unique demographic when it comes to meeting.

Council Member Rodriguez used as an example the Sister Cities which at one time was a commission and is now private with an MOU with support from the City. He added that he would like to have something similar for the Youth Commission so that it is still supported by the City, but not a formal commission because that ties their hands.

In response to Mayor McCaa, Council Member Rodriguez stated that he would like to dissolve the Youth Commission and stand up a youth group and to continue to have City's support when they want to attend things that are important, i.e., a conference, a local event, etc.

Mayor McCaa asked about the legal ramifications to the City. Ms. Yarbrough stated that if the Mayor and Council wants to move forward with setting up a mayor's youth leadership group, that could be done. The next step would be to enter into an agreement such as the one that the City has with Sister Cities with a partnering 501C3. Recently Peaches Pantry was willing to help with the youth leadership trip and they would probably be the first to be approached to find out if they would be willing to partner with the City. If Council is willing to move in that direction, then staff would reach out and begin negotiating an agreement that would state that the City agrees to provide this type of support whether it is with funding for them for them to go to the Arizona League Conference, the NLC Washington trip, and providing transportation to and from the airport. The 501C3 would agree to cover the youth group liability, would make all the arrangements, etc. Once the groups come to an agreement then that agreement would come back to Council with the formation of the mayor's youth leadership group or whatever it is going to be called, which would maintain that City nonprofit tie. The third action would be formally dissolving the Youth Commission.

Council Member Messmer asked if taxpayer money would be going towards taking the group from one place to the other, the airport, or to Phoenix. Mr. Potucek stated that the City would have a support agreement with Peaches Pantry, use of the City's facilities, transportation, maybe some seed money in the budget to assist with trips. This model would give them the flexibility and freedom to go ahead and do their own fundraising through Peaches Pantry to have some skin in the game for raising the funds necessary to do that and it would not be all on the taxpayers at that point to do it. They would be freed from a lot of the Open Meeting Law and other requirements.

Mayor McCaa noted that this one of the of the restrictions that they have because of the availability of the youth, and this is why the meetings are on Sundays since the youth is not available during school hours.

In response to Council Member Messmer, Council Member Rodriguez stated that he is looking for consensus to move forward with the agreement.

Council Member Johnson asked if money will be involved. Council Member Rodriguez stated that once the agreement is written, yes, there will be some money involved, driving to and from areas that would be staff time, conference fees because it is difficult to register outside of the City when it comes to events associated with the League. Mr. Potucek stated that the fee support could be for registration fees, but they would be responsible for raising funds for hotels and flights. He noted that the City does something similar with Sister Cities; although, there is no seed money. Sister Cities have their own 501C3 and in this case, the City would be working with a separate 501C3.

Council Member Rodriguez stated that this involves the youth that cannot provide much of their own money. They need all the support that they can for their different initiatives, but they were able to fundraise with Peach's Pantry as a partner and it is possible – the model is there. The other side to it is having the City's support when it comes to attending events, but having more flexibility to fundraise and this way the money does not have to come through the City for any legalities. Mr. Potucek added that in this way they have the whole year to raise the funds and may not need any City funds because the last one was a short time fuse because they only had a few months.

In response to Mayor Pro Tem Umphrey, Council Member Rodriguez stated that they were not able to fundraise as a commission. The Commission could fundraise and bring it in as a donation, but in talking to the lawyers and Mr. Felix, the City did not want to receive the money as a donation because it is better to keep the money separate. Mr. Potucek noted that there are some IRS issues, but under the new model they would not be subject to these issues. He further stated that as a commission, they are subject to the Open Meeting Law that causes issues when it comes to meeting. Mr. Potucek added that the Commission would no longer be a commission under this model.

Mayor Pro Tem Umphrey stated that she is unable to agree to something without thinking about it more. Mr. Potucek stated that Council would be voting on the agreement that the City would have with Peaches Pantry that would specify all the various items and Council would have an opportunity to review that and ask questions or make changes. Mr. Felix explained that one of the challenges for a tax-deductible donation to the City is that it must be for the City's public good. Council Member Rodriguez pointed out that this was for the Youth Commissioners' benefits and not the whole City's benefits. Peaches Pantry does not have that same requirement as a 501C3. The City is not a tax-exempt organization, nor does it fall under Section 501. The City falls under a separate section of the tax code and the City cannot give itself a personal benefit, child, or family member. It must be for the City's good and that is where the hard part of this comes in.

Mr. Potucek stated that this was a similar situation with Sister Cities because they were raising funds to send youth from the high school to Germany or to Cananea and that was really to the benefit of those individual students that were wanting to take advantage of it. Council Member Rodriguez stated that he could argue all day how the program is a benefit to the entire City and wonders why the City would not want to support its youth. However, he understands how this is not benefiting everybody; although, the Commission is open to anybody that wants to participate 100 percent. He also stated that by moving forward, there is no limit to the number of members which would be more open to the community.

Council Member Benning asked if the City gives the Sister Cities any money. Ms. Wilson stated that the only thing that is provided of monetary value is their annual registrations for Sister Cities International. The City also has an agreement with them in that they are helping the Mayor and Council pursue everything through Sister Cities. They can go out and fundraise while taking care of

the mission that the Mayor and Council have for its adopted Sister Cities. This has been very successful, and they fundraise all the time, handle all the bratwurst sales during Oktoberfest and do not pay participation fees through the agreement. This has also been a great relief to operational costs, and this is one thing that can be mirrored with the Youth Commission.

Council Member Benning asked if any youth in the City can join. Council Member Rodriguez stated that they would go through an application process and get voted on formally or not through the Mayor and Council. He added that he would love to have the problem where there are many applicants which is currently not the case.

Council Member Benning stated that he would support a Memorandum of Agreement with Peaches Pantry to support the youth group organization. However, he would like to see more detail on how this is going to work and how it will look. A commission provides input to Council and a nonregulatory commission provides input to staff for the city. They are not directed by the Council, nor do they have a mission from the Council. He added that the Council hears about what Sister Cities does and they represent the City, but they do not have a mission from the Council and Mayor. Council Member Rodriguez noted that Sister Cities' mission is different than the Youth Commission. The Sister Cities focuses on the sister cities and the Youth Commission's mission is the same as it is currently, being the youth voice of the community. They have initiatives, but they do not have the funds to follow through and they need support and backing.

Council Member Johnson noted that the last time that this issue was discussed, several members asked about the benefit to the City. He added that a lot of kids were sent off on a plane to Washington, DC and they were able to see the Smithsonian, etc., but he wonders what that does for the City. He further noted that he understands that the City did not pay for it, but there was discussion about expending City money to individuals and there being no benefit to the City. Council Member Rodriguez stated that the benefit to the City from the last trip was that the youth were able to speak to their legislators in their office about youth initiatives that are affecting them in Cochise County and Sierra Vista, i.e., border laws/issues, social media, banning TikTok, etc.

Mayor McCaa asked Council if they wanted to extend their discussion to finish the agenda. There was Council consensus to continue discussion for one more hour to finish out the agenda.

Council Member Landry stated that her concern was the Washington trip was the liability in dealing with youth. She added that the idea of partnering with a 501C3 to take on some of that liability, to cut out some of the barriers, is a good one and Sister Cities provides a good model for that. She noted that the current discussion is on future options and Council is not currently deciding on those options. There is still a lot of work to do, and it is not unreasonable for the City to pay for some of the registration fees for conferences if the group covers their travel and lodging. The various barriers in meeting the quorum, being able to share, and have a more casual sharing of ideas amongst the children in the group is reasonable, and having a connection with the Council will provide the group with more opportunities such as being able to go to the different conferences and being able to meet the legislature.

Mayor Pro Tem Umphrey agreed with Council Member Landry regarding liability issues and noted that the Council could still approve applicants like it does for the Industrial Development Authority. Council Member Rodriguez stated that the group selected to go on a trip is not going to wander off and they have chaperones and rules. He further stated that he understands that there is a structure to it, but the group is not going to be off on a bus by themselves. Council Member Johnson asked if there was a liability insurance policy in place during the last trip. Council Member Rodriguez stated that the parents all signed off and they were good.

Council Member Benning asked what will differentiate this group from others, i.e., the Buena Student Council who also wants to go do legislative things, say that they represent the City, want the City to help fund them, and pay their registration fees. Council Member Rodriguez stated that it is up to Council to choose to be a part of it or not, it is Council's vote.

Further discussion ensued between Council Member Benning and Council Member Rodriguez regarding the differentiation of one group of youth from another, the return on investment, the City's support, the mission, the number of youths involved, and the City backing one group over others.

Ms. Yarbrough explained that the current set up for the Youth Commission is not working because of Open Meeting law restrictions and the reason the Youth Commission exists is to expose kids to city government and that is why the City currently pays for the kids to attend the Summer League Conference. The NLC Conference is city government on a national level and if that is something that Council wants to support, they may be helping them go because it exposes kids to city government. By setting up a group in this way, the City could maintain its connection to a youth group that has at least part of their important mission of having kids exposed to city government. This is something that Council may specify through this agreement. The next step could be to draft this agreement with Peaches Pantry that would specify the mission, how this works, and the funding amount. It will then come back to Council for consideration and if this is not quite the way Council envisions this working, then staff can go back to the drawing board and come back with a new iteration.

Mayor McCaa suggested that the draft agreement proceed. Council Member Benning stated that he is all for this.

Council Member Messmer stated that she understands and supports the youth, but sometimes support cannot be possible, especially when it is on the back of the taxpayers. Not everybody wants to donate \$10 to send kids to Washington, DC, or Phoenix. Some of them do not care and the Council must remember that because it is not only about supporting youth the way that one council member or another may feel is right. The youth must be supported as the City would like to provide support. Council Member Rodriguez stated that there are a lot of things that the taxpayers pay for that they never use and that occurs all the time; however, he has not heard any complaints by the taxpayers.

Council Member Benning stated that he wants to make sure that this youth group is open to more youth.

In response to Mayor McCaa, there was Council consensus to move forward with a draft MOU with Peaches Pantry or any 501C3.

E. Report on Recent Trips, Meetings and Future Meetings

Council Member Benning announced the Parks and Recreation Meeting on Tuesday, April 9, 2024 at 5:30 p.m. at the Oscar Yrun Community Center.

Council Member Messmer announced the Arts, Humanities, and Cultural Diversity Meeting on Wednesday, April 10, 2024 at 4:30 p.m. at the Oscar Yrun Community Center.

Ms. Adams announced the Executive Session on Thursday, April 11, 2024 at 4:00 p.m. in the City Manager's Conference Room, to talk about real estate.

F. Future Discussion Items and Council Requests

In response to Mayor McCaa, Ms. Yarbrough stated that tracking now is Council's next budget presentation on O&M, personnel, and capital requests, and the PCI condition survey report.

3. Adjourn

Mayor McCaa adjourned the April 9, 2024 work session of the Sierra Vista City Council at 4:51 p.m.

Clea McCaa II, Mayor

Minutes prepared by:

Attest:

Maria G. Marsh, Deputy Clerk

Jill Adams, City Clerk

A recording of the Council Meeting is available at:

https://www.youtube.com/channel/UC8PtUpIbkQsixhSy-jeR_Q/videos