

Sierra Vista City Council  
Work Session Minutes  
April 12, 2022

1. Call to Order

Mayor Mueller called the April 12, 2022 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 Mark Rodriguez - present  
Council Member Carolyn Umphrey - present

Others Present:

Chuck Potucek, City Manager  
Victoria Yarbrough, Assistant City Manager  
Adam Thrasher, Police Chief  
Brian Jones, Fire Chief  
Laura Wilson, Leisure, Library and Parks Director  
Sharon Flissar, Public Works Director  
Matt McLachlan, Community Development Director  
David Felix, Chief Finance Officer  
Jennifer Dillaha, Budget Officer  
Jill Adams, City Clerk  
Tony Boone, Economic Development Manager  
Diana Cameron, Management Analyst  
John Healy, Sports Manager for Leisure Services  
Gabriel Squires, Public Works Internal Operations Manager  
Brandon Woodward and Tyler DiLalla, Schneider Electric Representatives

2. Presentation and Discussion:

A. April 14, 2022 Council Meeting Agenda Items ([agenda attached](#))

Mayor Mueller stated that the Council Meeting for Thursday, April 14, 2022, starts at 5:00 p.m. with the call to order, roll call, invocation, pledge, the acceptance of the agenda and annual awards for the firefighters, the waterwise poster contest winners, and proclamations for sexual assault awareness, fair housing month, and education and sharing day.

In response to Mayor Mueller, Mr. Potucek stated that he will report on the usual project updates. He added that the City has received the January sales tax report, which continues at a robust nine- and three-quarter percent growth rate. Those numbers have been consistent over time, and it is significant because usually that number will fall after the holiday season and instead it went up. Staff will continue to wait for the other shoe to drop, but in the meantime things look good. He further added that he will report on the JPA Board meeting as there will be

discussion about the budget there.

Mayor Mueller asked if there is any idea, looking back to the past, when the sales tax number may start to decline. Mr. Potucek stated that this is an unprecedented territory. He added that in his 36 years with the city, he has never seen anything like the current situation. During the 2008 recession, the City was able to project recession numbers and the building permit numbers dropped rather precipitously that accompanied higher inflation and that kind of thing as well.

Mayor Mueller stated that his concern is not having an idea as to when the sales tax number is going to drop and he hopes that it will continue to sustain itself, but at some point, in time if it doesn't drop, there will need to be discussions about it in six months or more probably the next budget year. However, if the number remains high then there could be tax reductions of certain types that is wishful thinking because he certainly expects that the number will decline gradually, and the City will be back to where it was before in not getting dramatic growth. If the number was two or three percent, then he would not have brought up the subject. Mr. Potucek stated that staff is still projecting over \$5 million dollars in the General Fund balance at the end of the year, which are also at record levels. Some of the adjustments that are being made are increasing the City's growth projection for the General Fund next year up to 7.5 percent. He added that he would be reluctant to take it higher than that.

Council Member Benning asked if a lot of this increase attributed to the online sales tax that the City is now getting. Mr. Potucek stated that it is still a factor and helping the situation, but it is difficult to explain the reason why. A lot of cities in the state are experiencing the same thing that Sierra Vista is in as well as the state budget. People are spending money.

Mayor Mueller stated that this is his other concern because he is aware that a lot of folks got a lot of federal money within the last several months and that money is going to be spent, but when that federal money goes away, he wonders if the revenues will be the same. He added that it is unknown if the hit will be gradual or all at once.

Council Member Benning stated that he likes the idea of looking at this in six months. Mayor Mueller stated that they will need to level out and see where they are before addressing any potential tax cuts. Mr. Potucek stated that Council needs to think about the City's large obligations out there, the Public Safety Retirement System and the street maintenance budget.

Item 2 Discussion and Possible Action of the Regular City Council Meeting Minutes of March 24, 2022 – There was no discussion.

Item 3 Discussion and Possible Action of Resolution 2022-017, Authorization to Accept Arizona Department of Homeland Security Grant Funding-Operation Stonegarden Grant Program (Agreement #210426-01) – Police Chief Thrasher stated that this resolution is to accept a grant from the Arizona Department of Homeland Security through the Operation Stone Garden Program. This is essentially a renewal of grants that the City has had in the past. Operation Stone Garden, state, and local partners, are paid overtime to help enhance the provision of overlapping layers of protection in the border security areas. This grant will pay for overtime in the amount of \$83,913 and for employee related expenses and \$12,460 for mileage. Currently the Department deploys regularly with Border Patrol as part of their regular Operation Stone Garden deployments. The Department is also currently using these funds to participate in the operation Safe Streets with the Cochise County Sheriff's Office, and Homeland Security Investigations.

Mayor Pro Tem Gray asked if the amount of the grant is about the same amount that the City received last year due to the increase in activity that is being seen concerning border related issues. Police Chief Thrasher stated that it is a little bit of an increase over last year and that is to make up for some of these additional deployments.

Mayor Pro Tem Grays asked if the amount is enough to cover additional officers needed for that task force. Police Chief Thrasher stated that he does at this moment, but typically, they do not actually expend all the expenses anyway on regular Stone Garden deployments. The additional deployments will use up those funds.

Council Member Benning asked if the City has designated officers that are assigned to do Stone Garden. Police Chief Thrasher stated that they have sign up deployments and the officers sign up for overtime for those deployments, both for the Safe Streets and the Operation Stone Garden deployments.

Council Member Johnson asked if PSPRS is covered. Police Chief Thrasher stated that it is covered as part of the employee related expenses.

Council Member Rodriguez asked if the people who can sign up for it are limited by their position, rank. Police Chief Thrasher stated that it is usually open to sergeants and below.

Item 4 Discussion and Possible Action of Resolution 2022-018, Restating the City's Commitment to Fair Housing in Sierra Vista – Mr. McLachlan stated that this is a resolution that is brought forward every year to restate the City's commitment to furthering fair housing and making sure that renters are not discriminated against based on a protected class. The Department provides literature At City facilities across City government. They also provide resources to people, but it is very rare that the Department receives a complaint as it is more landlord, tenant issues. He further stated that there are resources that the Department can connect people with should there be a complaint.

Mayor Mueller noted that the key thing is that the City needs to have this to be able to qualify for any federal housing money.

Item 5 Discussion and Possible Action of Resolution 2022-019, Accepting Warranty Deed for needed public right-of-way along the eastern side of Judd Street – Los Arcos Estates, LLC

Mr. McLachlan stated that the City is pursuing grant funding for making accessibility improvements within the City's transit service areas. One of the projects involves installing curb, gutter, and a multi-use path along the eastern side of Judd Street. To make that happen the City needed about eight one-acres of land from Los Arcos LLC. They are gracious enough to donate the needed property that will widen the public-right-away from twenty-five feet to fifty-two feet to help the City accomplish those improvements. There is no cost to the City and the Department is requesting that Council accept the warranty deed for recording.

Mayor Mueller stated that this covers the area on Judd Street from Golf Links to Timothy Lane to Busby Drive, which will put sidewalks all the way through the neighborhood to Golf Links as well. Mr. McLachlan stated that he was notified last summer, that the City had received FTA funding to install sidewalks along both sides of Carmichael Avenue from Busby to Timothy Lane. The City is also installing a multi-use path along the full extent of Timothy Lane from Carmichael to Judd Street that will complete the loop around the Sulger neighborhood.

B. [Schneider Electric Phase II Project Presentation](#)

Ms. Yarbrough stated that this has been a significant amount of staff time over the past year, with meetings every two weeks with a large staff team and City's partners, Tyler DiLalla, and Brandon Woodward, who are available for questions during the presentation.

This is the second type of project that the City would do as a capital recovery and reinvestment program. The City would work with its partner, Schneider Electric, referred to as an energy savings company or Escos. They must go through and identify, capture energy and operational savings, and revenue that would then in turn pay for improvements to the City. The City has done something of a hybrid project in the first project and staff is proposing another one with the second one, which takes energy savings generating projects and leverages those projects and the energy savings against revenue generating capital projects, things that will modernize the City, drive economic development, which are the things that Council had asked to do with the first one and that staff is looking doing again with the second one.

This provides a solution that allows the City to construct a significant number of projects at one time in a relatively short period of time that the City would not be able to do on its own. If the City tried to do each of those projects by itself, it would take quite a long time. It is in State Statute that Schneider must prove that the energy savings/operational savings revenue will pay for this project over time.

In 2016/2017, Council approved a new Economic Development Plan for Prosperity. One of the goals in that Plan was prioritizing sports tourism. The first project developed included five soccer fields turfed at Cyr and Domingo Paiz, LED sports field lighting replaced all the old lighting at seventeen fields and courts around the City. This was balanced out with energy improvements i.e., replacing almost all the lights and fixtures in the City's buildings and properties. There were 3,500 LED replacements, nine HVAC systems replaced, and a significant amount of deferred maintenance that the City had in capital projects, after coming out of the recession. New electrical infrastructure was installed at Veterans Memorial Park to better accommodate flexibility during events and to accommodate vendors as well. Also, the wave machine at the Cove was replaced, and a small project at Wastewater to upgrade irrigation controls.

This project was just under \$14 million, and Schneider guaranteed about \$740,000 in projected annual savings and revenue. Through the course of the past three years, it has been realized that just in electricity savings alone, \$482,000. Parks, Recreation, and Library Department along with the Economic Development Department have worked hard to track the amount of economic impact from the tournaments they brought in, and they have identified about \$3.3 million dollars. This amount averaged over three years equates to about \$1.2 million dollars a year. Schneider Electric has more than proven that their estimates are conservative when looking at projected savings and revenue. Other numbers from the Parks, Recreation and Library Department indicate that there were 28 additional tournaments that brought in 11,500 additional people into the community.

Council Member Benning asked if the revenue from the Schneider Project is going back into the General Fund. Ms. Yarbrough stated that the revenue was a combination, but most of it was TPT, and it is going back into the General Fund. Mr. Potucek added that some went into the Capital Improvements Fund.

In Council's current Strategic Plan and the Parks Master Plan adopted last year, there were eight specific goals that are related to portions of this project. Some of the goals hit planning

and managing for water resources, economic development goals that mention things like EV charging, emerging technologies, and smart City projects. There is an airport project included in this project, and goals on sports tourism: Veterans' Park Sports Complex, increasing sports tourism revenue, the Parks Master Plan, funding the Parks Master Plan. There are eight different goals which have guided the development of this project.

This project will accomplish kick starting the Park's Master Plan. This project includes \$15.1 million of parks improvements to go after the Parks Master Plan approved last year. This would initiate the development of the Veterans Park Sports Complex, provide the community with new athletic amenities that the Parks, Recreation and Library Department can turn around and use to attract more tournaments and meets; thereby increasing sports tourism. Some additional aging infrastructure and city buildings can be addressed as well as an electric vehicle pilot program for the community and guests that support sports tourism efforts. There can be continuance to advance the City's energy and water savings commitment, and again look at increasing direct revenue and economic impact hitting most of the areas of the Council's Strategic Leadership Plan.

Council Member Johnson stated that the EVs were discussed in previous meetings and asked if this would be a City project or a private company to put in these charging stations? Ms. Yarbrough stated that it would be another company putting it in, who would then be doing the parts, labor, maintenance, and the customer service if somebody had a problem.

These individual projects fit into one of three buckets: sports tourism and Parks Master Plan, economic development, and efficiency infrastructure.

#### Sports, tourism, and the Parks Master Plan

One of the City's largest projects is addressing the football field and track at the Veterans Park Sports Complex. This would be a complete synthetic turf replacement for the football field that is currently out there in bad shape. It will do a turnkey rubberized sports running track and with everything that goes with it so that the City can offer a facility for comprehensive track meets, ADA compliant path around the entire Sports Complex for access, and specific improvements for the field and track that would be the Keith Hampton Memorial Field.

Council Member Umphrey asked if this would be fenced in like the soccer fields. Ms. Yarbrough stated that it would also be fenced in.

Council Member Umphrey stated that the walking trail is used by people a lot and she would like to know if they would no longer be able to use the trail. Ms. Wilson stated that since this is situated where the Sports Division building is currently located, it is planned to have the field open during the day until 9:00 p.m. at night or later, if it is under reservation. This would allow folks to come and kick a soccer ball, a football, and utilize the track.

The existing Howard Field would be moved over to this current field and that is why this is being referred to as the new Howard Field. This was something that the LWCF, when the City received the grant earlier this year, asked to include this in the project. The field out there is not usable as it currently is because it is oriented towards MLK Boulevard, there is no drainage, and balls cannot be going into MLK. Therefore, this project would design/install completely a new Howard Field. The field would be turned to face into the complex and it would provide everything for a turnkey baseball and softball field to include dugouts, the backstop netting, new bleachers, the curbing, and security fencing. The project would also add all new LED sports

lightings because currently there are no lights in this facility and therefore is not usable in the evening. This is an important addition because the football field would be lighted as well as the tennis courts, two new basketball courts, which are included in this project, the softball field, the sand volleyball court, and the existing baseball field. This is important to allow the sports teams to play into the evening.

Mayor Pro Tem Gray asked if the six tennis courts are up to par as far as playable/usable. Ms. Yarbrough stated that they are not in great shape, but they are usable.

Mayor Pro Tem Gray asked if a decision was made not to include the tennis courts in the project. Ms. Yarbrough stated that staff was looking at other priorities for the space and therefore they were not included in this part of the project.

The project would also add two new basketball courts. The basketball courts in the City are extremely well used and is one of the most requested items during public processes. The ADA pathways were also requested by State Parks through LWCF grant. Also, the new wells storage tank and booster pumps are included in this project so that would fix the well, fix the storage tank, and all new irrigation lines. Therefore, the City would finally be able to fix the irrigation and supply the water for this complex and be able to use the fields.

Staff struggled with the twenty plus year old evaporative coolers at the gym and the ductwork because the building is not in great shape. Since, the long-term plan for this facility is currently unknown, and the evaporative coolers are in terrible shape, it was decided to upgrade them as well as the ductwork and make them less of a safety hazard. It will also improve the cooling in the gym. It was decided to stick with the evaporative coolers because of the moisture content in the floor and taking care of that. It is not a major cost factor in this project.

The EV chargers would be a pilot program in strategic locations to help enhance sports tourism and economic development efforts. There would be eight charging stations, one of the level three rapid chargers at the Veterans Park Sports Complex, two chargers, a fast and a rapid charger at the Stone Complex, a fast and rapid charger at the Library, and another fast and rapid charger at Cyr Park. The company that would manage these is called EV Connect and is included in this project as five years of parts, labor, and maintenance. Schneider Electric did a lot of research on the prices charged for the energy around other communities in the State and they are recommending them set at a level that would keep the City competitive but recoup the cost of putting in the EV chargers. The cost of the energy is completely up to the City so that may be changed, and after the five years is up, the City can either choose to continue the maintenance contract, take it over, or find another third-party company.

Mayor Mueller stated that the three locations for EV chargers are great locations, but the City owns a piece of proper downtown that where they need chargers as well. He asked if there was any consideration given to having five chargers in that location. Ms. Yarbrough stated that staff plans on looking for more grants for EV chargers. Staff can possibly apply for grants for this project and for future ones if this works. She added that the location was looked at for a Phase II now that the section in front of Fry Boulevard is completed. Staff is also looking at areas in North Garden; however, there is an EV charger over at the Best Western, but it is for their guests.

Mayor Mueller suggested that as this program gets up and running and is productive, another potential is to address hotels especially where they are more than one hotel, restaurants etc. where people will be spending time. He added that the City may want to partner with the hotels

or introduce the City's service provider to the hotels so they can install those as well and keep it private. Ms. Yarbrough stated that the Fab Avenue and Fry property is a prime location for the next round of EV chargers.

Council Member Benning stated that currently there are two types of chargers and wonders if these areas will facilitate both. Ms. Yarbrough stated that these would accommodate Teslas. Mr. Potucek stated that Teslas in the vehicles has adapters to other types of chargers, so it makes sense to use the more generic chargers. Ms. Yarbrough stated that there is a Tesla charter on the West End.

Council Member Benning asked about the pricing because a lot of companies are leasing the space by offering a residual on the price they charge for electricity. Therefore, the City would get a percentage of the cost that the patron spends on electricity. Mr. Potucek stated that the way it would work is that a premium would be charged so that the cost can be recouped, and at least make money on a residual over and above the actual costs associated with the electricity and the maintenance of the charger itself.

Council Member Rodriguez asked about the markings and noted that the chargers that are currently in the City that at hotels are poorly marked and anybody can park there. This is a big problem because somebody could come up with an electric car but find that somebody is already parked there. They then go inside the hotel, and they are told that it is not their problem because they are not the vendor. Ms. Yarbrough stated that this was a topic of discussion, and a suggestion was made to put up a sign stating to be polite and remove car when it is done charging. Mr. Potucek stated that the intent is to be able to market these items to out of town guests, and like Tesla there are websites where it can show somebody who is traveling in an EV that there are chargers' sites available on their mobile app or whatever. This will be able to be used in the City's marketing and tourism campaigns.

The project at the airport is a project that had come on the capital list anyway and Schneider Electric was asked if it was possible to include this in the project. It turns out that yes, replacing really outdated light bulbs does have some energy savings as it was found out in the first project. Therefore, staff worked very closely with Fort Huachuca because this is a joint project between Sierra Vista and Fort Huachuca. Currently there is a lack of centralized control from the control tower for the runway lights. Over the course of many years, there are now four different runway light manufacturers out there, and there are ongoing maintenance problems. The old bulbs have long past their useful life. This is a much-needed project that was included. The new solution would replace all the failing runway lights and signs with LED lights as well as replace over 8,000-feet of fiber all the way across the airport. Carol Thompson at the airport approved this project and the vendor. The City worked with her to switch vendors because there were some issues with the first one.

Mayor Mueller stated that once again, this is a way to show the Post that this is a joint use airfield because the City and the Fort are partners. Ms. Yarbrough stated that there is a little bit of money that Fort Huachuca will need to pay to upgrade their side; therefore, this helps them, and it helps the City at the same time.

The City's irrigation system is outdated. This project would include smart irrigation systems with flow sensors at 19 different City parks and fields would be a centralized remote access with weather-based controls. This will allow the watering of the City's parks and landscaping, and to be controlled very strictly based on weather and needs that would save 4.6 million gallons of water every year.

Mayor Mueller stated that this is the same kind of system that was put in a couple years ago at the Pueblo Del Sol Golf Course as well as college campuses that are still showing significant savings in water usage, and they are still beautiful campuses. He further stated that this would be great for the City's grass areas that the public enjoys because there is a requirement for new housing on limited square footage outside in the backyards. Ms. Yarbrough stated that the City's staff spends a lot of time fixing the irrigation as well.

There are some very interesting projects at the Cove, some significant energy savings that were found, and not visible from the front of the house but in the back of the house. There have been some significant mechanical needs that have been needed for some time that staff has also been looking at and working out ways to afford. A new pump system is also on the list for consideration for capital projects this year, which is included in the project; but there are three exciting projects at the Cove that will renew these systems and provide longevity with very well-functioning systems at the Cove. These are the filters, the chemical generation, and the pumps. This would be an all new on-site chemical generation system so it would save money on buying chlorine and the other chemicals that go into that because it would all be generated in a self-contained system, along with new pumps and motors with smart controls, a complete upgrade that is much needed, and a new filtration system with fully automated controls. The current filters require for somebody to physically climb into them to replace them and clean them. It is not the safest thing for staff to be doing, and this system would save more water, about 1.4 million gallons of year again for a total of about six million gallons of water between this project and the smart irrigation project.

Mayor Mueller stated that the lifespan is the key thing. The Cove has been in existence for over twenty years and when chlorine and other chemicals are involved, there is going to be constant upkeep, cost, and if this is not done, then the City will have bigger costs to just maintain minimal service at the Cove. Ms. Yarbrough stated that all these systems are approximately twenty years old, and it is time to upgrade these.

A project that was in the current fiscal year Capital Improvement Plan is covered parking. Staff has talked to many different companies over the years about solar covered parking. The project will pay back for itself by adding solar parking in four different areas, the police station that is planned this year to cover their special vehicles that are exposed all year round, two different areas of solar at City Hall, one on the roof, and one on the northwest side where these staff vehicles are parked all day, one over at the Cove and at the Library.

In response to Mayor Pro Tem Gray, Mr. DiLalla stated that it depends on how much is being used by the facility. If the solar generation is the building, then that is going to consume all the energy, but there could be times where there is more solar than what the building is consuming and therefore it would go back to the grid and at that point, they would get a credit.

Council Member Umphrey noted that solar parking is high, and they can block the view. She asked if the solar parking would block the front of the library. She asked that the parking not be put directly in front of the library. Ms. Yarbrough stated that she will find out the height of these structures and ask if it is possible to move it somewhere else.

There have been problems with City hall's roof for many years, but due to the size and the expense, the City has done its best to patch the roof as much as possible over the past few years. This is more than a million dollars total for the entire project, but there are some energy savings that go with it as well. Therefore, it made sense to look at including it in this project. This



would be a full roof replacement. The current roof is over 40 years old, and this would replace both the flat and the metal portions and then the decorative siding that goes around it. It would give the City a fifteen-year warranty and allow for solar on part of the new metal roof.

This project would also replace the Sports Division Building's HVAC units. The reason why these were not done during the last project was because the City did not own the property. Schnieder Electric also looked at all the City's buildings to see if there were any light coming in around the windows or doors. They can look at the building envelopes of the City's various buildings and do some improvements in 17 of the buildings to increase energy efficiency, which will generate some more energy savings.

The price tag on this entire project comes in at \$25.9 million. The City has received \$1.5 million dollars from the State Parks and through the LWCF grant, which is about \$24.4 million after the LWCF grant. Schneider has estimated is about \$2.2 million dollars annually in utility and O&M savings, and about \$314,223 of direct revenue and then \$1.7 million of capital cost avoidance or things that the City would have had to budget to replace capital-wise. Identified lifecycle savings are \$37.3 million that is savings revenue and avoided cost over 25 years. Their estimate on the economic impact over 25 years of this project is \$101 million.

Mayor Mueller asked about the annual projection for sports tourism. Ms. Yarbrough stated that the City had realized about \$3.3 million over the past three years. He asked about the annual impact for sports tourism. Ms. Wilson stated that the three-year estimate that Ms. Yarbrough reported on was also during about a year and four months of closures.

Mayor Mueller stated that if the City continues to track sports tourism and it remains a program, then this should come close to paying for itself, which means no new taxes. He asked if the ongoing maintenance has been included because long term maintenance is still going to be an issue for the City to deal with even if there is a successful Sports Tourism Program, which is something to think about.

Council Member Benning asked if the same the artificial turf is being used on other fields with the same lifecycle. Ms. Yarbrough stated that this would be a different type of turf with a different company and one that is specifically geared towards football but is also quite acceptable to play soccer on.

In response to Council Member Benning, Ms. Yarbrough stated that the lifecycle of the previous turf is comparable to the new turf. Ms. Wilson added that the company that will be used, has a ten-year warranty on the turf itself where the current product has eight. It also has the extended lifecycle warranty on the base of it, which is upwards of twenty-five years. The first couple of replacements and maybe even more will only require replacing the top turf area and not go all the way down into the base.

Council Member Benning asked if water would need to be sprayed on the fields to keep them moist. Ms. Wilson stated that there will be water cannons.

Mayor Mueller stated that to him, when talking about this program, the price and the benefits being received on water, and electricity is all good stuff. However, there are several things that this does not do that Council needs to be aware of. One is pickle ball in town and this project does not have any additional courts that will be another future expense, but this does not really fit in with energy savings and water savings. There will be other challenges and there may be a phase three, phase four, when those requirements or needs are better refined. Mr. Potucek

added that this was a large topic of discussion during this process and clearly the community has a lack of gym space to accommodate sports like pickleball and there, Council is looking at \$10 to 20 million expenditures to replace OYCC and have a gym. He added that he does not think that the budget could bear a replacement like that at this time, but that is certainly a significant expense some future council is going to have to deal with because the OYCC is not getting better and the evaporative coolers on the gym are not going to make that old gym last much longer either. How far the City can take this remains to be seen yet, but it will be something that will need to be dealt with to accommodate those types of sports.

Council Member Rodriguez stated that the same gym is used for indoor soccer and noted that not many improvements are needed to the floor, but the temperature is a huge problem. He added that one good thing about this program is that they can still play futsal in there because that does pick up when the regular soccer season is over. He asked if King's Court will do pickleball. Mayor Mueller noted that it is a commercial operation now and is not aware of anything going on.

Mayor Mueller stated thanked staff for coming up with projected numbers and noted that the first phase, staff did very well with the with the projected numbers and he has seen some good results. He added that he is looking forward to this phase being approved by Council and having some energy savings; however, this project does not address a park south of town that needs to be created, an ongoing expense.

Council Member Benning asked if the \$1.5 million grant is for the water irrigation. Ms. Yarbrough stated that it is for the well, irrigation, reorientation of Howard Field, ADA pathways, and football field.

Mr. Felix stated this is not a small amount, staff has run some preliminary numbers in looking at a 15, or 20-year bond issue time frame. This is something we do want to run out for that long. An estimate has already been plugged into the budget for the 15-year option. The City would look at a public or private placement. The advantage of a private placement is the fact of the issuance costs are less, but staff is budgeting for a public just in case that is the best way to go. The last one that was done for the current Schnieder Project that is being paid for, the City went through the options that there were, and private placement was best and that is what was done. However, if the market cannot handle a private placement and a public offer is better with better rates, then the City will do that. A 10-year call option would be included depending on the premium that must be paid. It is finance so, options cost money. Staff did run out the 15-year annual debt service and 20-year annual debt services and there is a four percent estimate for the 15-year and a four and a quarter percent for the 20-year estimate. It comes to about \$2,225,000 per year principal and interest for the 15-year, and just under \$1,865,000 for a 20-year. Staff plugged in the coverage ratio based off the estimates for revenues and next year the City will have a nine times coverage ratio that is the amount of revenue pledged revenues over the annual debt service. The Council approved fiscal policy currently requires a six-times coverage. This is leaving plenty of room for any future downturns in the economy and things like that. Staff also plugged in the actual pledged revenues, and as discussed, a portion of this is in the airport, but when putting the budget together because staff likes to wait to get final numbers on bid numbers for the projects, the airport fund will be contributing towards it; although, those are not pledged revenues. Therefore, when putting together the coverage ratio, that is not included.

Mayor Mueller asked Mr. Felix to explain to the Council and the public why a 10-year call option may be a good thing. Mr. Felix stated that a call option at any time is a good thing and there are

two reasons why. It can be done like in the past, where there are extra revenues available and can retire all the debt by just paying it off and it is done. The City did that with the police station bonds and paid those off early this year as well as the next year bonds, which saves the City the interest. A public placement provides for a tiered coupon rate and the City may pay two percent on the bonds that are due in five years and five percent on the bonds that are due in twenty years. This way the higher interest rate options as well higher interest rate bonds will be paid off early.

The rates in ten years could be noticeably less than where they are currently at when they are issued; therefore, looking at a present value savings. The second option is to refinance. The City is carrying on the books the savings achieved by refinancing the other two series bonds. These are the bonds that the City paid off in January for refinancing two other bond series. The City saved a half a million dollars on that series in interest payments by net savings by refinancing.

Council Member Benning asked about Phase I's annual debt service. Mr. Felix stated that it was \$17 million, ten years and a 2.68 percent interest rate. The City gave out three options, a seven-year option, ten-year option, and a 15-year option. The City reviewed the interest rates, and the sweet spot was the ten-year option, and because it is ten years, there is no call option on it.

Council Member Benning asked about the annual savings on debt that was just paid off. Mr. Felix stated that the City refinanced the bonds, restructured them to pay off the original series that they were going to. In 2001, the City kind of paid off what was the original first series and this year the second series was paid off. The City went from about a \$2.2 million to about \$1.2 million to next year being gone.

Mayor Pro Tem Gray stated that she knows that residential interest rates are very high compared to where they were. She asked if it is that the same with these types of interest rates. Mr. Felix stated that these interest rates are going up. He added that Tom Hawking has been a financial advisor for many years, and he found out a couple of weeks ago that he has retired, but he has recommended somebody that he has worked with in prior years, and he is going to meet with us next week to look at possibly bringing him under contract. He did a bond issue last week and that morning interest rates were changing .05 percent in the morning when they are trying to get the bond issue done. They had a successful sale, but he said that it is going up almost a percentage point over the last thirty days.

In response to Mayor Pro Tem Gray, Mr. Felix stated that when he asked him about the rate estimates to use for the forecasting, he said those were good rates to use. If the Council is looking at issuing in June/July time frame, those are the rates that he would use. The rate that he did was the 2.68 percent that was done a couple of years ago, the rate that they ended up selling that issue for last week.

Mr. Potucek stated that along the lines of Mayor Pro Tem Gray's questions, staff is seeking from the Council, the ability to proceed with negotiations on the financing deal, not only for the fact that interest rates may continue to go up during the present in the present environment, but also the inflation numbers are going to impact the costs of materials and contracts. He also noted that discussed was the land and water conservation fund grant that is being included in this. This project does not preclude the City from continuing to pursue other grants to offset these costs, but they will not be included in the financing. Any grants that the City receives would go towards payment the next year or two's debt service. The City would still be able to save based on that.

Mayor Pro Tem Gray asked if a 30-day lock is done once negotiated. Mr. Felix stated that it is at that time. This is not like the financing bid on which they give the City a two-week lock or a 30-day lock. This is a, that is the day you go, that is the day you get the rate. This is the plus of having a negotiated sale. There can be more of a lock in the rate, whereas if there is a public issue, they are double tax exempt for Arizona residents, for most of them, one does not necessarily get that lock. It is what is the market that day that it is on the market.

Mayor Mueller asked if there were any objections as to why the City should not proceed and have this as an action item in the future. There was a consensus from Council to proceed.

Council Member Benning asked for a timeline. Ms. Yarbrough stated that staff is looking at about eight months from when the bond is active.

### C. FY 2022-2023 Budget Capital Improvements and Debt Presentation

Ms. Dillaha stated that this is her favorite time of year and added that this is the first of many budget work sessions. She explained that when the budget season kicks off, staff likes to get a good look at the revenue. Earlier in December, the local transaction privilege tax (TPT) was at 9.6 percent over fiscal year 2021 and 18.6 percent over budget. In January, it was 9.6 percent over fiscal year 2021 and 17.7 percent over budget. In February, the City received the numbers, and it is at 9.75 percent over fiscal year 2021 and again 17.7 percent over budget. The revenue is looking good, but staff is going to still maintain a conservative stance when projecting for fiscal year 2023.

Mr. Potucek pointed out that typically staff would start the budget with revenue projections and that is the reason why Ms. Dillaha is providing these numbers, but the League has just come out and relayed that there will be a delay in receiving the State shared revenue estimates. Staff does not anticipate these until May, but those numbers are needed to be able to give Council a better picture on the revenue estimates. Ms. Dillaha stated that revenue discussion is on the next budget work session.

Council Member Benning asked about the percentage increase when referring to a conservative approach to the revenue forecast from the last fiscal year to the current budget. Mr. Potucek stated that the City has been averaging over nine percent and 17 percent; therefore, being projected is 7.5 percent below that in terms of the sales tax growth.

Mr. Felix stated that the City finances certain capital projects, try and match the financing to the lifecycle, and either do a lease purchase for items like vehicles, refuse trucks, big fire equipment, and anything that lasts more than five years. The City also does a short-term lease purchase where there is a public bid process for that. There is a reimbursement resolution in the beginning and do the financing at year-end. However, due to the revenues with the vehicle changes and just finding out that the refuse trucks are not going to make it in this year, there is not going to be any financing this year. Everything will be cashed out.

Mayor Mueller asked about the impact to the City's budget since there are trash trucks that need replacement and will need to be extended for another year for use. Mr. Potucek stated that most of these items have already been included in last year's budget. They are simply a carryover.

Mayor Mueller stated that if there is a large piece of equipment and it was due to be turned in,

there are going to be parts/pieces. Mr. Potucek stated that it would not be on the replacement list if the City was not experiencing increased O&M costs already to maintain those vehicles. He added that he hopes that it is not a year.

Mayor Mueller stated that he was hoping that the O&M cost to be considered would be included. Mr. Potucek stated that he is correct. Mr. Felix added that staff is looking at July or August for the truck delivery, the cost estimate versus June. It is not a year and hopefully that continues.

Mr. Felix reported that the City paid off a lease at the end of the June and currently there is one lease that covers four funds, and one lease for the refuse fund that is the two trucks that were financed last year. The City also has the current Schnieder bond issue, and staff has included the proposed Schnieder bond issue in the budget. The payoff of that one lease has caused most of the funds to see some big drops in the debt service.

There is \$250,000 plugged into the capital improvements fund, an estimate that is being put in for the bond issuance costs. Since the proceeds will go into the capital improvements fund, the issuance costs will come out of that. The current roll off note that was paid off in January, the estimated 15-year for a \$2,225,000 new debt service estimate, and the actual debt service in the capital improvements fund is going up less than \$950,000 a year based off the estimate. If better rates are received, then it will go up less than that. Once the final numbers are in, staff will have a transfer from the airport fund to the debt service fund to pay the airport's portion for the lighting project that is getting done. However, if the City can get some grants for that would be nice, which would just cut down and help cover those debt service costs as well.

A slide of the complete capital improvement requests was shown that is prioritized based on new purchases, improvements, safety and needs. Some of these items are expected to be moved into the general fund; therefore, the final recommended list will look different than what was displayed:

- North Garden Improvements - the design is set for fiscal year 2022 with construction in 2023. The City will also be applying for some grants to reduce that cost.

Mayor Mueller stated that there is another North Garden Project for improvements where the City is getting HURF money as well, \$290,000. He asked if this amount is a part of the money that will be taken out of the \$2.5 million. Ms. Dillaha stated that this is for the Garden design, the carryover for \$289,000 and the construction for \$2.5 million.

In response to Mayor Mueller, Mr. Potucek stated that the total cost would be more than \$2.75 million.

- The City would like to purchase a property on Fry Boulevard, but an estimated cost was not placed in the list because staff is still waiting on the appraisal.
- The former dispatch area would be remodeled into an updated Emergency Operation Center.
- Another restroom for Fleet

In response to Mayor Pro Tem Gray, Mr. Potucek stated that the Emergency Operation Center would have a real time camera and the ability to really function as an Emergency Operation Center, where the Police Department can see what is going on the ground at an emergency from the building. This would be very helpful in those events.

Council Member Umphrey asked about the property being referred to on Fry Boulevard. Mayor Mueller stated that there will be an executive session to discuss the property and noted that should Council show an interest, the price may go up precipitously.

- Safety issues, Cove stairs, City Hall stairs, and the Cove diving board stands.
- The UHF and the VHF radio equipment have reached end of life.
- The fleet tire carousel because the current system lacks space; therefore, there are increased chances of an injury. This is also the case when removing tires from the top row and they are encroaching on the exit door.
- Fleet's outside lift that is over twenty years old and has not been used because it cannot pass inspection.
- Police Department auditorium/conference room upgrade for video conferencing like the Fire Department.
- The dive pool deck resurface has reached the end of life.
- Update the City Manager Conference Room.

A slide was displayed of the carry over for fiscal year 2022:

- EMS substation construction is expected to be complete in June, but there is a need to carry over some of the items to close out in July.
- Two vehicles for the Fire Department as vehicles are coming in later than expected.
- The Sports Complex restrooms are currently in design.
- The Veterans Memorial Park well and irrigation improvements have been moved to the Schnieder Project.
- The Garden Canyon Linear Park Phase II is in progress.
- Solar cover over at the Police Department is now a Schnieder Project.
- ACO expansion design is in progress.

Council Member Benning stated that the grant for the two solar covers at the Police Department and irrigation improvements was put into the Schnieder Project that will help subsidize with the \$1.9 million; but he would like to know what the other money that was budgeted is being used for. Mayor Pro Tem Gray asked if he is referring to the match. Mayor Mueller stated that he does not understand his question.

Council Member Benning stated that on the Schnieder Project, the \$1.5 million grant was taken and put towards the Schnieder Project to reduce the price, but there is still budgeted a \$3.5 million carry over and there is still roughly \$2 million not spent but budgeted for in the capital improvement fund. For the solar cover there is \$200,000 that was carried over that was not spent on the solar covers for the Police Department. He added that he would like to know what those funds are being used for. Ms. Yarbrough stated that these were projects that were budgeted in the current fiscal year. Therefore, the budget must show that they would carry over if the City was not going to do the Schnieder Project. Now staff needs to sit down and evaluate the \$3.5 million for the well and irrigation improvements that included the \$1.5 million from the grant, and the \$1.5 million match. Staff will meet with Mr. Felix to find out whether that money gets allocated then to pay towards the bond or if it gets reallocated to other projects.

Council Member Rodriguez asked if the Sports Complex's bathrooms over at Cyr Park. Ms. Dillaha stated that those are for Domingo Paiz, and two other ones. Ms. Wilson stated that it is a budget and required are site plans for the design, and it is starting at the end of Tacoma Street and working up as far as the first half million can be taken. Staff chose a prefabricated design that will come from a factory which is less expensive than having the site-built restrooms. Staff thinks that they can get a restroom facility at Cyr, Domingo Paiz that will include a snack bar

area and a four bathroom or a two bathroom at Arbenz. Mr. Healy stated that these are the restrooms at Domingo Paiz soccer, the restrooms at Doming Paiz softball with a concession stand and then those are both four restroom stalls and a two-restroom stall at the OYCC pickleball courts to serve both Arbenz Field and the ball courts.

Council Member Rodriguez stated that there is some stuff missing from the carryover from 2022. Ms. Dillaha stated that there some in the other funds as well.

Two slides were displayed for fiscal year 2023 that showed a complete prioritized list for the fleet vehicles. Fleet has an extensive process when calculating the replacement and the new vehicle needs. Vehicle ordering time is forthcoming in mid-May; therefore, the final list with the balanced budget in May, staff would like to proceed with the ordering. Anything ordered can be canceled at any time. Tractors and mowers have an eighteen-month lead time and staff is trying to prevent the same issue that occurred with the refuse trucks and get them in faster. The list will change because some of the vehicles will be moved from capital improvements fund into the general fund.

Council Member Benning asked if he EMS vehicles, ambulances, etc. fully staffed for the new EMS Substation that is being built. Fire Chief Jones stated that the Department currently has ambulances that have run their life cycle that have not been replaced.

A slide of the HURF was displayed and at the top of the list is the annual street maintenance, a strategic plan item. In the middle is the prioritized vehicle list and on the bottom are the carryover items.

Council Member Benning stated that \$1.5 million has been shown to Council through the last three years what that amount would encompass on fixing on the streets. However, he would like to possibly take some of the savings from doing the Schnieder Project from the Police Department and water well and use some of those funds for more street maintenance. Mayor Mueller stated that there is \$1.5 million for the regular street maintenance, and asked Council Member Benning where he is proposing to get the funds from.

Council Member Benning stated that the funds would come from the solar panels for the police station which saves roughly \$200,000. Mayor Mueller stated that those savings will be over time. The City is not going to have that this year. Mr. Potucek stated that the process is occurring, even as this discussion is taking place because the City has its annual street maintenance project going on that involves fixes, seals, filling and all those various things. The City also has major street maintenance projects going on in Charleston Road and Avenida Escuela that will be funded out of HURF this year because the City had significant carryover. In the future, staff will be looking to augment the street maintenance budget with savings in the capital improvements fund going forward for major street maintenance projects and for the continued annual street maintenance out of HURF.

Council Member Rodriguez stated that there is a street maintenance schedule that lists out the timeline, but he wonders if it is available for people to look at. Mayor Mueller stated that it would not hurt to have the City Public Works Director brief the Council during a work session what those are. Mr. Potucek stated that this can probably be done during the budget work session. Ms. Flissar noted that the department is working through the Sierra Vista MPO to potentially update that study this year because it has been five years since the initial Pavement Maintenance Study that was done.

The airport fund is healthy. There are several capital items and instead of a gator, it will be a utility cart for \$30,000. The last two items will be carried over to fiscal year 2003.

Mr. Potucek stated that staff is diligently working to try to locate the Forest Service at the airport on a more permanent basis, which will be of great value during the fire season as well as having some permanent party Forest Service people. Staff is working with the congressional delegation and the Forest Service on a potential project.

Council Member Umphrey asked if those are new hangars to add to what is currently there. Mr. Potucek stated that she is correct.

Most of LTAF items are carryover because vehicles are still being delayed.

In response to Council Member Benning, Ms. Dillaha stated that the Spirit of Equess is a more than 70-passenger bus. Mr. Potucek added that they are grant funded with 80-20.

A slide of the refuse fund was displayed; however, the list may change as the funds are balanced as well as the sewer funds. The top needs for the Refuse Division are the chipper, pressure sprayer, the scarabe, vehicles and the carryover of two refuse trucks.

The final fund is the sewer fund. There is an EOP needs assessment study in the general fund for fiscal year 2023, which will help create the capita list for 2024. The top three requests, the influent flow meters, the anoxic basin, and the crane-clarifier cannot wait for 2024. Therefore, these have been added to 2023. The bulldozer and gator are the prioritized vehicle list and then the polymer feed system for wastewater will be carried over.

The next budget work session is scheduled for April 26, 2022, which will include revenue, personnel, and O&M.

Mayor Mueller asked about the number of gators that the City owns. He noted that there were five listed and one was taken out because it was not going to be purchased. He asked if they are aging quickly and being used. He stated that he knows that they are critical especially in parks and maintenance to get around in and out of things quickly and carry equipment, but it is odd that so many are needed at one time. Ms. Wilson stated that the department worked with Mr. Platt over in Fleet and they are looking at how to possibly downsize the fleet in the Parks, Recreation and Library Services Department. They would trade them out for things that really move people and equipment well. She noted that extending Avenida Escuela over to the park area, is a quick way for the department to stage and be more efficient in the way that they manage maintenance.

Mayor Mueller noted that there are also specialized tractors and other equipment as well, but he knows that all those are pretty much near its life cycle.

Council Member Umphrey stated that since the busses are going to be upgraded to be able to take other forms of payment and not dealing with the change, she wonders if Council needs to go back and look at how much the City is charging. Mayor Mueller stated that Council is supposed to look at the Transit Plan every five years. Mr. Potucek stated that it was about five years ago that the City proposed a rate increase at that time and there are certainly some federal regulations that get involved in that. However, after that discussion the Council lowered the fare at that point. Ms. Flissar stated that the short-range transit plan was updated within the last six months, and it went through the Sierra Vista MPO.



Mr. Potucek stated that if the City had to rely on fare box to run the transit system, the City would not be running the transit system.

Council Member Umphrey stated that she knows that Council must look at increasing it. Mayor Pro Tem Gray stated that one of the recommendations was to look at the fares and increase them, but Council must have that discussion on what is going to be done because that was suggested last time, and Council lowered them. Council Member Johnson stated that it was a five-point plan and Council talked about fare box changes, increasing the fares, equipping the busses with a GPS so people could have an app and know when the bus is going to arrive. There were four or five different ones in that plan.

Mayor Mueller asked if this was all discussion amongst the MPO. Council Member Johnson stated that he is correct. Mayor Mueller then noted that this needs to be shared with the entire Council at a work session. Mr. Potucek stated that fare box is always interesting with transit because of a concept called elasticity of demand and it is one of those services that when you raise fares, you lower your ridership, and it may not even pay off financially to even do that.

Mayor Mueller opened the meeting to the public for anyone wanting to comment specifically on the budget. There was no response.

#### D. Report on Recent Trips, Meetings and Future Meetings

Mayor Mueller stated that there needs to be discussion on the transit recommendations and street maintenance.

In response to Mayor Mueller, Ms. Yarbrough stated that budget and the executive report are scheduled for the next work session, and she will add transit recommendations and street maintenance to the list.

Mayor Mueller stated that he has not been to any meetings, although he attended via the web a meeting where discussed was the future of the campus of the College of Applied Science and Technology for the University of Arizona in town. There was conversation about the Joint Resource Utilization Study that seems to be getting to the final stages so that should be ready for publication, which he hopes there is a briefing for the entire Council as well at some point in the future so that Council understands what it is, what is supposed to do, the challenges may be in the future planning dealing with Fort Huachuca. Lastly, he thanked Council Member Rodriguez for working with him with the Youth Commission that will be different than the standard commission.

Council Member Johnson stated that Council had discussed the lack of volunteerism within the City's various commissions and the setting up of a work session to discuss the issue of re-energizing the commissions. Mayor Mueller stated that he is correct and noted that there are a couple that are still functioning very well, but there are some that are not.

Council Member Benning stated that the Parks and Recreation Commission met last week, and the Commission is working on the dog ordinance along with park and facility definitions. He then extended an invitation to everybody to the rock placement at Soldier Creek Park on May 14, 2022 at 8:00 a.m. He also stated that he is glad that the park was talked about when discussing the Schneider Project. He reported that due to the Tour De Zona, the City had 708 people pay to participate, but only 658 people checked in. During the event, Veterans Memorial Park had

72 small RVs, 18 large RVs, and 63 tents. Lastly, he thanked Jolie Fernand from Huachuca Mountain Elementary School, who had the classes putting up signs to welcome everyone. He also thanked Ms. Wilson and her team for making this happen because it was a huge event.

Mayor Mueller stated that he had spoken to the parks director and Mr. Potucek about looking at rules for unmanned aerial vehicles and potentially putting a pad that is closer than the military aircraft field. Council Member Benning stated that the Commission looked at the ordinance, but not the pad; however, he will relay the message to the Commission.

Mayor Mueller noted that there are a couple of places that are closer to town that should be safe to operate if they follow the FAA rules and the practices on the landing and takeoff pads.

Mayor Pro Tem Gray stated that the bill on transportation that was in the House got approved and went the Senate; however, they want to change it.

In response to Mayor Mueller, Mayor Pro Tem Gray stated that she is talking about state legislation, and she is still waiting on an update. She further stated that she met last week with Senator Gowan, Senator Fann, and some policy directors about it to try and work it out and get some sort of compromise for statewide rural transportation funding because currently no one has any idea what is happening, it could be \$500 million, or it could be \$55 million for next year's transportation money from the state for rural transportation.

Council Member Rodriguez asked about the Cove's kitchen. Ms. Yarbrough stated that she believes that those items were included in the current year's capital budgets. Ms. Wilson stated that the snack bar area had nothing done to it. There are appliances in there and staff looked at whether to go out and try to attract another vendor, but that will be operated in-house, and they want to get it up and running by summer, busy season. She added that she believes that this is the only way to control this and to make sure that it is open.

Council Member Rodriguez stated that earlier during the work session, the park upgrades to the track and the football field were mentioned, and he wanted to note that people do use that every morning and night. right. Therefore, he recommends that these fields be left open as much as possible because a lot of people use them, even as terrible as they currently are, and he does not want that to change for anybody or for people to feel locked out. He asked if once it is all done if the City will still have the same agreement with the School District that they can use the fields for free if they transport the children there. He added that Buena High School does not have any lights at their baseball field and once the City has a nice field, it would be a good one for them to use. Lastly, he asked the Schnieder team if the School District has approached them for a project for them to fix their football field.

Mr. Potucek stated that this is on City Staff's radar, but there will need to be separate discussions with the School District.

E. Future Discussion Items and Council Requests – Discussed under Item C.

3. Adjourn

Mayor Mueller adjourned the April 12, 2022 work session of the Sierra Vista City Council at 4:43 p.m.



Frederick W. Mueller, Mayor

Minutes prepared by:

Attest:



Maria G. Marsh, Deputy Clerk



Jill Adams, City Clerk