

**MINUTES OF THE REGULAR MEETING OF THE SHOW LOW CITY COUNCIL HELD ON TUESDAY, JUNE 5, 2018 AT 7:00 P.M. IN THE CITY COUNCIL CHAMBERS, 181 NORTH 9TH STREET, SHOW LOW, NAVAJO COUNTY, ARIZONA**

1. Call to Order.

Mayor Seymore called the meeting to order at 7:00 p.m.

2. Roll Call.

**COUNCIL MEMBERS PRESENT:** Mayor Seymore, Vice Mayor Hatch, Councilman Allsop, Councilman Crittenden, Councilwoman Kakavas, Councilman Kelley, and Councilman Leech.

**COUNCIL MEMBERS ABSENT:** None.

**STAFF MEMBERS PRESENT:** Ed Muder, City Manager; F. Morgan Brown, City Attorney; Bill Kopp, Public Works Director; Shane Hemesath, City Engineer; Joe Shelley, Police Chief; Justin Johnson, Administrative Services Director; Tom Bahr, Airport Manager, Jay Brimhall, Community Services Director; Cari Bilbie, Accountant; Tamra Reidhead, Deputy City Clerk; and Ann Kurasaki, City Clerk.

**GUESTS:** Steve Williams, Glenn Kephart, Bryan Layton, Brad Carlyon, Bruce Ironside, Laura Singleton, Lloyd Wilmes, and others.

3. Invocation.

Councilman Allsop gave the invocation.

4. Pledge of Allegiance.

Councilman Leech led the Council and audience in the pledge of allegiance.

Mayor Seymore said Show Low was still under Stage 3 fire restrictions, meaning no smoking outside and no fires. The recent 377 Fire was started by a truck driver who unknowingly dragged a piece of equipment causing sparks that ignited about 20 fires along the side of SR377. He encouraged citizens to be careful and to comply with the fire restrictions.

5. **CALL TO THE PUBLIC:**

Any citizen desiring to speak on a matter that IS NOT scheduled on this agenda may do so at this time. Comments may be limited to three minutes per person and shall be addressed to the City Council as a whole, and not to any individual member. Issues raised shall be limited to those within the jurisdiction of the City Council. Pursuant to the Arizona Open Meeting Law, the City Council cannot

discuss or act on items presented at this time. At the conclusion of the call to the public, individual City Council members may (1) respond to criticism made by those who have spoken, (2) ask staff to review a matter, and (3) ask that a matter be put on a future agenda.

None.

6. **SPECIAL EVENTS:**

A. Presentation and Update of Navajo County Budget.

Steve Williams, Navajo County Supervisor, introduced County Manager Glenn Kephart, Assistant County Manager Bryan Layton, and County Attorney Brad Carlyon, who accompanied him to tonight's meeting.

Mr. Williams said the county was a political subdivision of the state and was charged with providing state-mandated services to citizens locally. They partnered with cities and towns, fire and school districts, and provided services in unincorporated communities.

Mr. Williams said county functions included courts, prosecution, public safety, probation, constables, treasurer, assessor, recorder, and school superintendent.

Mr. Williams said Navajo County had the fourth lowest property tax rate of the 15 Arizona counties. Out of every dollar the county collected in property taxes, only eight cents went to the county's general fund. The remaining funds were divided among school, fire, flood, health, and special districts.

Mr. Williams said in the last decade since the recession hit, the state had shifted the burden of nearly \$5 million in costs to the county. County representatives worked with local legislators to minimize the damage and also tried to proactively help the legislators understand how state legislation impacted Navajo County. He complimented the Districts 6 and 7 legislators for working well with county officials.

Mr. Williams said county officials were seeking more efficient ways to operate the government even though costs continued to increase. In the last decade, costs for the Public Safety Retirement System increased by 254% and healthcare costs increased by 40%. Last year the county had to cut \$2.2 million from the general fund budget and eliminated two programs. The county no longer detained juveniles but sent them to Florence to be held, and the county now used the State Attorney General's office to

enforce delinquent child support payments, which sometimes caused delays in prosecution.

Mr. Williams said the two departments that spent the bulk of county funds were public works and the sheriff/public safety. He said the number of county employees had declined 16% in the last decade. There had been no job cuts in sheriff deputies or detention officers, but employee costs had continued to increase.

Mr. Williams said the county's upcoming financial challenges included the closures of the Navajo Generating Station in 2019 and Cholla Power Plant in 2025. The decline of the local coal industry would impact Navajo County by \$2.5 million annually from the loss of sales tax, state-shared sales tax revenue, and property tax. If or when the \$2.5 million loss occurred, the amount would be equal to the eight smallest department budgets within the county. The loss would require the county to cut 20 to 25% more jobs, reducing the current 100 employees to about 60 to 65. Such a reduction would affect the promptness and level of services offered and would impact public safety because the smaller departments couldn't sustain further reductions. Reduced services, a detriment to the citizens, would also make the area less attractive for economic development.

Mr. Williams said future options for the county could include, first, a forced reduction of county services and finding ways to operate more efficiently. Second, the county would continue to look for economic development opportunities and new industry, and third, the county would look for additional revenue opportunities to cover anticipated losses.

Mr. Williams said thanked the City for partnering with the county and looked forward to continuing to work to benefit the people they represented.

Councilman Crittenden asked if the state legislators represented northeastern Arizona area fairly. Mr. Williams said the rural legislators had been good partners and had listened to concerns that were presented to them.

Mayor Seymore thanked the representatives for the county's partnership with the City.

7. **CONSENT CALENDAR:**

- A. Consideration of Acceptance of South White Mountain Sewer Line Extension, City of Show Low Project No. S-0318. (Shane Hemesath)

- B. Consideration of Second Addendum to Noncommercial Ground Lease from Edwin L. and Loretta E. Snell to David B. Vanyo. (Thomas Bahr)
- C. Consideration of Acceptance of Torreon Lakes, Unit 2. (Bill Kopp)
- D. Consideration of Approval of List of City-Owned Vehicles as Exempt Vehicles from Registration Requirements in Accordance with A.R.S. §§ 28-2511, 38-538, and 38-538.03. (Joe Shelley)
- E. Consideration of Minutes of Show Low City Council meetings:
  - (1) Joint Study Session of May 9, 2018.
  - (2) Regular Meeting of May 15, 2018.

**COUNCILMAN ALLSOP MOVED TO APPROVE THE CONSENT CALENDAR AS PRESENTED; SECONDED BY VICE MAYOR HATCH; PASSED UNANIMOUSLY.**

8. **NEW BUSINESS:**

- A. Consideration of Recommendation to Federal Aviation Administration of Award of Construction Contract for Show Low Regional Airport Runway 06/24 Rehabilitation Project. (Thomas Bahr)

Mr. Bahr said in April 2018, the City of Show Low advertised a request for proposals for construction services for the runway 06/24 rehabilitation project at the Show Low Regional Airport. A bid opening was held on May 15, at which three bids were received. The bids were reviewed by Armstrong Consultants for conformance to the requirements.

Mr. Bahr said based on the lowest amounts for Schedules I and II and the Bid Alternative, FNF Construction, Inc. was the low bidder for the project at \$2,036,955.35. The following table showed the bids and the consultant's estimate.

<b>CONTRACTOR</b>	<b>SCHEDULE I</b>	<b>SCHEDULE II</b>	<b>BID ALTERNATIVE</b>	<b>TOTAL</b>
FNF Construction, Inc.	\$1,656,882.35	\$84,051.00	\$296,022.00	\$2,036,955.35
Granite Construction	\$1,626,025.24	\$56,109.24	\$362,573.52	\$2,044,708.00
Hatch Construction	\$2,497,904.45	\$71,656.50	\$744,184.62	\$3,313,745.57
<i>Consultant's estimate</i>	<i>\$3,133,536.00</i>	<i>\$55,856.00</i>	<i>\$644,190.00</i>	<i>\$3,833,582.00</i>

Mr. Bahr said based on staff's and Armstrong Consultants' review, staff's recommendation was that the City Council recommend to the Federal Aviation Administration (FAA) awarding the construction contract for the

runway 06/24 rehabilitation project to FNF Construction, Inc. in an amount not to exceed \$2,036,955.35.

Mr. Bahr said the next step was for the FAA to accept the City's recommendation, award the contract, and fund the grant. Once awarded, the Mayor would be required to sign documentation to commence the project. Additional costs consisted of engineering services, construction administration, and sponsor administration at \$125,600, for a total project cost of \$2,162,555.35. The City's portion was 2.5% of the total project amount or \$54,064.47.

Mayor Seymore asked how the construction would impact air service in and out of the airport. Mr. Bahr said the primary runway would be closed while it was resurfaced. The entire project should be completed in 30 days, with the primary runway closed for 28 days. It would reopen after 28 days and the secondary runway would close for two days.

Councilman Kelley asked for assurance that someone would oversee the project to make sure the contractor used appropriate materials on the runway. Mr. Bahr said during construction, the FAA, as well as the airport consultant, would check for quality of materials and pavement and oversee the work. FAA's specifications were included in the design specifications and contract, and if the job didn't meet them, the construction company would be held liable. Mr. Kopp added asphalt specifications were specific to the FAA and were used solely on runways.

Mayor Seymore asked if Boutique Airlines would be able to operate on runway 03/21. Mr. Bahr said yes, the construction would not impact Boutique's operations.

**COUNCILMAN CRITTENDEN MOVED TO RECOMMEND TO THE FEDERAL AVIATION ADMINISTRATION THE AWARD OF A CONSTRUCTION CONTRACT TO FNF CONSTRUCTION, INC. FOR THE REHABILITATION OF RUNWAY 06/24 AT THE SHOW LOW REGIONAL AIRPORT IN AN AMOUNT NOT TO EXCEED \$2,036,955.35, AND AUTHORIZE THE MAYOR TO SIGN THE RECOMMENDATION AND ANY ASSOCIATED CONTRACTS OR DOCUMENTS RELATED TO THE GRANT; SECONDED BY COUNCILMAN KELLEY; PASSED UNANIMOUSLY.**

- B. Consideration of Resolution No. R2018-15 Adopting the Tentative Budget and Establishing the Expenditure Limitation for Fiscal Year Ending June 30, 2019. (Justin Johnson)

Mr. Johnson said no changes had been made to the budget since the presentation of the recommended budget. The budget development process began in January 2018 with departments presenting their budgets to City management. As presented in several town halls and study sessions, the tentative budget would be adopted at tonight's meeting with final budget adoption on June 19.

Mr. Johnson said Resolution No. R2018-15 would adopt the tentative budget for fiscal year 2019 in the amount of \$58,607,593. All Council goals and priorities were taken into consideration when developing the budget.

Mr. Johnson said the fiscal year 2018 adopted budget was \$48.5 million, compared to the 2019 tentative budget of \$58.6 million. The amount increased because of an additional \$3 million Public Safety Personnel Retirement System (PSPRS) payment, \$6.6 million in additional capital carryover from fiscal year 2018, and \$0.3 million in operational increases.

Mr. Johnson said the City's four major sources of revenues consisted of the beginning fund balance or savings (35.5%), operating revenue (53%), interfund transfers (5.6%), and other financing sources (5.9%).

Mr. Johnson said the beginning fund balance was \$24,009,038 from prior years' savings. Other financing sources (unanticipated) came to \$4,000,000, interfund transfers were \$3,774,112, and operating revenues were \$35,907,326 (revenue that would be collected or earned during the fiscal year).

Mr. Johnson said operating revenues of \$35,907,326 came from local taxes (31.4%), charges for services (11.9%), intergovernmental revenues (18%), state-shared revenues (12.6%), utility fees (23.9%), miscellaneous (1.8%), and fines and forfeitures (0.4%).

Mr. Johnson said utility fee revenues were \$8.1 million, consisting of water at \$4.2 million, wastewater at \$2.9 million, and sanitation at \$1.0 million. Water and wastewater rates were due to increase January 1 to reflect the Consumer Price Index (CPI) adjustment. The sanitation rate increase, the first increase in the last three years, would be effective as of July 1. This year there had been an increase in recycling costs nationwide, which was taken into considered when reviewing the rates for the upcoming year. The rates were increasing by \$0.62 per month from \$14.18 to \$14.80.

Councilman Leech asked if the price increases would reach a point where the City would stop offering recycling. Mr. Johnson said on rare occasions some larger cities had stopped recycling because it was cheaper to take refuse to the landfill rather than recycle. In discussions with Waste

Management, it didn't appear that that would happen here. He said in 2012, residents paid \$16.50 for a garbage can and a recycling bin. In 2013, for the same service, the cost was \$17.18 per month; in 2014, the price fell to \$14.53 per month; in 2015, it went up to \$14.67, and in 2016, with the drop in fuel prices and the CPI, the price dropped again to \$14.18 and had remained at that rate for the last three years. The proposed rate change for 2019 was an increase from \$14.18 to \$14.80, which was still \$2 less than seven years ago.

Mr. Johnson said local sales tax collections, the number one source of revenue, were budgeted at \$10.5 million. Sales tax collections were conservatively estimated to be the same as fiscal year's 2018 budgeted amount. He said state-shared revenues of \$4.7 million were budgeted at 95% of state estimates. State-shared revenues had increased every year since 2011. Intergovernmental revenues were \$6.4 million, which included grant revenue and new grants that would come before the Council for approval as they were awarded.

Mr. Johnson said expenditures by type included personnel (30.9%), capital (35%), operational (20.3%), debt service (3.9%), reserves (8.4%), and contingency/CIP (capital improvements program) reserves (1.5%). Mr. Johnson said personnel expenditures totaled \$17,138,053, an increase of \$3,057,753 and included \$3.0 million for an additional PSPRS one-time payment, a 2% base pay employee increase, and a one-time bonus for employees depending on revenues, plus all employer-paid benefits.

Mr. Johnson said full-time equivalents (FTE) would increase from 158.8 to 161.5. The increase was due to adding three FTEs for dispatchers as part of the communications agreement with Pinetop-Lakeside police and fire departments, an increase of one FTE in Planning and Zoning, and a decrease of 0.5 FTE in the Magistrate Court.

Mr. Johnson reviewed personnel by service area and said public safety had 32% of the City's employees; community services, 21%; utilities, 16%; public works, 14%; general government, 14%; and planning and zoning, 3%.

Mr. Johnson said capital/contingencies totaled \$20.2 million. The largest expense in this category was for streets/engineering at \$4,826,575.

Mr. Johnson said CIP reserves totaled \$5.57 million, which included two months' operating revenues. The general fund included a \$1.0 million voter-required reserve, but the City had a \$3.0 million reserve, triple than was legally required. All three major funds—general fund, water operations, and wastewater operations—had reserves. Also, \$100,000 was added to

the water treatment plant reserves for fiscal year 2019 for a total of \$1.3 million.

Mr. Johnson said debt service (total outstanding debt) across all funds was \$1.9 million. The last payment for the library GADA (Greater Arizona Development Authority) bonds would be paid in fiscal year 2019.

Mr. Johnson said expenditures by service area were utilities (29%), public works (26%), public safety (21%), community services (11%), general government (9%), debt service (2%), and improvement districts/Community Facilities District (2%). He said in general fund expenditures by departments, the police department (36%), airport (20%), and community services (13%), which provided direct services to the City's residents, spent the most.

Mr. Johnson said Resolution No. R2018-15 would adopt the tentative budget and establish the City's expenditure limitation for fiscal year 2019 at \$58,607,593. The budget would be advertised in the newspaper for the next two weeks. A public hearing would be held on the final budget and the secondary property tax levy on June 19, when the final budget would be adopted. The secondary property tax levy would be adopted at the July 17 meeting.

**MAYOR SEYMORE MOVED TO ADOPT RESOLUTION NO. R2018-15 ADOPTING THE TENTATIVE BUDGET AND ESTABLISHING THE EXPENDITURE LIMITATION FOR FISCAL YEAR 2019 AT \$58,607,593; SECONDED BY COUNCILMAN KELLEY; PASSED UNANIMOUSLY.**

AT THIS TIME, THE CITY COUNCIL RECESSED INTO A SPECIAL MEETING OF THE SHOW LOW BLUFF COMMUNITY FACILITIES DISTRICT BOARD TO ADOPT THE TENTATIVE BUDGET FOR FISCAL YEAR 2018-19 FOR THE DISTRICT.

The Show Low City Council recessed into a Special Meeting of the Show Low Bluff Community Facilities District Board at 7:49 p.m. The Show Low City Council reconvened at 7:56 p.m.

9. **SUMMARY OF CURRENT EVENTS:**

A. Council Members

Councilman Crittenden said the Show Low Chamber of Commerce's business breakfast would be held tomorrow morning at Solterra at 8:00 a.m.



Councilman Allsop said he attended the Memorial Day services at the Show Low Cemetery. He also attended Show Low Days and enjoyed the Derby Down the Deuce. He thanked the first responders for their quick response to the 377 Fire.

B. Mayor

Mayor Seymore said the City was very busy last weekend with Show Low Days, a car show, gun show, and the farmers' market and art walk. He thanked the police for their service and keeping everyone safe.

C. City Manager

Mr. Muder said this was the final week for Project Clean Sweep, with bulky item pickup until June 8, and free dumping at Lone Pine Transfer Station through June 9.

Mr. Muder said in City public works projects, the contractor would begin slurry sealing selected streets this week, beginning in Park Valley and moving to Bison Preserve. The sewer improvement project in the Sierra Vista subdivision would begin next June 11, and work on the waterline project on McNeil continued.

Mr. Muder said in construction projects, Arizona Public Service crews were moving power lines underground on the south side of the Deuce of Clubs from West McNeil to 8th Avenue. The project included periodic closures of the outside lane. The Arizona Department of Transportation contractor continued work on the US60 widening project and would begin laying the final roadway layer next week, which would involve periodic lane closures.

Mr. Muder said this weekend was the Deuces Wild triathlon and motorists could expect traffic control measures as the competitors used the streets for their running and biking portions.

Mr. Muder said the library kicked off its annual summer reading program for all ages, with reading beginning June 11. As a fundraiser, the library was selling a specially designed 2019 calendar, which featured a library employee and local police and fire personnel per month, for \$15 each. A sample calendar was available for viewing at the library.

Mr. Muder reminded everyone to be extra careful this fire season. Conditions were very dry. The City remained under Stage 3 restrictions, which meant no fires and no smoking. Detailed information was posted to the City's website. The restrictions also applied across Navajo and Apache

counties. In addition to fire restrictions, the Forest Service had announced area closures, with a detailed map available at the Forest Service website.

Councilman Leech asked for an update on the road work to be done at the intersection of White Mountain Road and Show Low Lake Road. Mr. Muder said staff had applied for different grants and was looking at different funding mechanisms. Staff continued to work with the Arizona Department of Transportation on this project, but there was nothing to report at this time.

10. **SCHEDULING OF MEETINGS:**

Scheduling of meetings, which may be brought up at this time.

11. **ADJOURNMENT.**

There being no further business to be brought before the Council, **MAYOR SEYMORE ADJOURNED THE REGULAR MEETING OF THE SHOW LOW CITY COUNCIL OF JUNE 5, 2018 AT 8:03 P.M.**

ATTEST:

APPROVED:

\_\_\_\_\_  
Ann Kurasaki, City Clerk

\_\_\_\_\_  
Daryl Seymore, Mayor

**CERTIFICATION**

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the **REGULAR MEETING** of the City Council of Show Low held on June 5, 2018. I further certify that the meeting was duly called and held and that a quorum was present.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

(SEAL)

\_\_\_\_\_  
Ann Kurasaki, City Clerk