Work Session Minutes
May 12, 2015

1. Mayor Mueller called the work session to order at 4:30 p.m. in the Council Chambers, 1011 N. Coronado Drive, Sierra Vista, Arizona.

Present:
Mayor Rick Mueller – present
Mayor Pro Tem Bob Blanchard – present
Council Member Alesia Ash – present
Council Member Gwen Calhoun – present
Council Member Rachel Gray – present
Council Member Hank Huisking – present
Council Member Craig Mount – absent

Others present:
Chuck Potucek, City Manager
Mary Jacobs, Assistant City Manager
Adam Thrasher, Deputy Police Chief
Don Brush, AICP, Director, Department of Community Development
Scott Dooley, Public Works Director
Richard Cayer, Operations Manager
Ryan Kooi, PW Administrator
Jill Adams, City Clerk
Judy Hector, PIO
Pamela Weir, Management Analyst and Budget Officer
Victoria Yarbrough, Library and Leisure Services Director
Lee Elaban, Leisure Services Superintendent
Jill Adams, City Clerk
Carson Bise, TischlerBise

2. Presentation and discussion:

A. Presentation by TischlerBise on City Review of Development Fees

Ms. Jacobs stated that every three years the City is required by both state law and City ordinance to review it development often known as impact fees. Carson Bise is the owner of TischlerBise and the City has been contracting with the firm for a number of years with the study update and he is extremely familiar and does work within the Arizona and across country. This is step one of the process and he will go into detail about what those steps are. The City did have their initial stakeholders meeting earlier in the day and Mr. Bise made a presentation to that group and the staff is getting some input on some of the data that is being put together to make sure that the City gets the community perspective, builder perspective and developer perspective. Staff has already scheduled the second phase of the process so that Mr. Bisbee can talk to Council about methodologies and policy decisions to get Council's direction and then staff will do the next steps.

Mr. Bise asked Council who was on Council on the last go around with impact fees and stated that some of the information may be new to some of the Council Members and some of it may be retreading familiar territory. There was a significant revision to the State's impact fee enabling act about three years ago, which has made it unique nation-wide in terms of what is required, the level of scrutiny and the very onerous adoption process.

Mr. Bise stated that his firm is based in Maryland and they are the national leader in impact fees and fiscal impact and economic impact analyses. The firm has done more of that than any firm in the country and they also get involved with quite a bit of real-estate, market feasibility studies and looking at special tax districts and assessment districts. The firm has substantial Arizona development fee experience including multiple engagements in Sierra Vista.

- Why development fees

Mr. Bise stated that most of the jurisdictions that the firm works with are facing very similar circumstances where the general public is somewhat hesitant to accept tax increases and the cities are forced to do more and more with less and less as the state and federal government cuts back aid and so impact fees go a long way in helping local governments maintain existing levels of service at least for capital facilities.

It has been his experience that most communities are not maintaining levels of service across the board and so particular attention has to be made to the operating impacts of capital improvement plans and in Arizona it is called an Infrastructure Improvement Plan (IIP). The firm is taking more of a holistic approach and design impact fee programs and taking into account what the operating impact is as they develop the assumptions. Impact fees also ensure that growth pays its fair share and a lot of the communities that the firm works with have drawn a line on the sand where they expect growth to pay for growth. Impact fees go a long way toward that and helps swage some of the fears that the general population may have about growth not paying for growth and the existing tax base having to subsidize new growth through increased taxes over time.

Impact fees are required to have very stringent reporting requirements which are usually spelled out within state acts, i.e., set aside money into separate accounts, produce annual reports, show incoming revenues as well as the outgoing expenditures and crediting the interest to those accounts. It encourages disciplined capital improvement planning.

Impact fees are a land use regulation and many people forget about that; but one of the positive aspects of the changes to the Impact Fee Act in Arizona is that it has brought that back to attention and so how can the city as part of crafting the methodology look at ways to help implement land use, economic development and in some cases transportation policy.

From a developer’s perspective impact fees make it easier to plug into the Performa because it guarantees a level plane field. If someone is in a community that does not have an impact fee program, and that individual relies heavily on exactions on an adhoc basis it is very difficult for the private sector to plan for the those exactions as they are trying to line up financing for their projects. In terms of basic options for infrastructure if the City does not build the facilities, the City is going to have to accept lower levels of service city-wide and that is not good for a lot of reasons among that economic development reasons. There are reasons that interested residents moved to a community and obviously having inadequate infrastructure system goes a long way to providing the competitive advantages. Nationwide there are not a lot of broad base funding options for infrastructure. There are variations from state to state and the basic options are general taxes, i.e., property tax and sales tax, impact fees and then shifting infrastructure cost to assessment district type vehicles whether it is a special benefit assessment or a facility district. Everyone has different names but they are essentially doing the same thing. Prorating a share of that infrastructure to a special group is basically entering into a district.

The firm is seeing the idea of communities drawing a line in the sand about growth paying for growth and the old argument was could growth pay for itself and now as things have evolved over time, most jurisdictions are drawing that line and saying growth should pay for growth and impact fees will certainly help cities get to that level.

- Impact ground rules

Mr. Bise explained that the way to think about this is as a three-legged stool. The firm has to paint a picture as part of the study that there is 1) the need for the infrastructure, 2) that new growth is not paying more than its proportionate fair share, and 3) show benefit.

The need is painted by documenting where the jurisdiction has been in the past in terms of growth and what levels there has been, then projections of future growth and show that the growth is going to occur or is likely to occur and is indeed going to cause the community to expand its infrastructure system.

- Proportionately

Impact fee schedules vary by land use type. There is not just a residential schedule and a nonresidential schedule. There are subcategories within that whether it is single family detached versus apartment, retail office and commercial. The reason that it is done this way is because different land uses generate different demands in terms of employment, vehicle trip generation rates, water and sewer consumption from residential perspective and the number of people per household.

Proportionately is done through the demographic analysis and the demographic projections. Finally, benefit has to be shown which can be shown in two ways. First is evaluating the need to establish geographic service areas which was discussed earlier in the day with the stakeholders. The findings across the country are that geographic areas are typically not found in the community the size of Sierra Vista. That is something that is found in large counties, large cities, impact fees for roads which there may be no fee zones and etc. The second aspect of benefit is showing a timely expenditure and the Arizona Impact Fee Act requires that the money be spent within 10 years. Some states it is six years and sometimes it is eight; but the idea is that the city is not collecting money and not spending it and using it to fund general government operations.

- General development fee methodologies

Mr. Bise stated that he will be back in late June to talk about some of the preliminary findings in terms of the firm's recommendation going forward for specific infrastructure categories.

The way to look at impact fees is to look at the past, the present and the future. Looking at the past is called cost recovery or buy-in approach as typically seen with utility systems, i.e. wastewater treatment plant, where the city may have a 10 million gallon facility and it has 2 million gallons of excess capacity and the growth is going to buy in. Another example is the library because it is sort of a one of facility and at one point the city was thinking of adding another branch but that is not going to happen, so there is this idea that there is this remaining capacity and the growth is going to benefit from it and so they will buy in.

Looking to the present is called an incremental expansion and sometimes a consumption based approach because in looking at the unit of consumption for each land use type, i.e.,

parks and recreation. A lot of parks master plans are developed using some sort of assumption of that there are so many acres per capita and if the firm knows that an acre of land costs $80,000 then they do that math and that is the simple way of getting to the impact fee. This approach is based on levels of service that are here today and assumes that you are replicating that level of service going into the future.

The plan based approach is based on some sort of adopted master plan. The upside is that it can sometimes get you more bank for the buck in terms of a higher fee; but the down side is that because it is based on a plan and the costs are being allocated over a development projection, that growth does not occur and the amounts expected, the general fund could be on the hook to fund a greater share than what was anticipated. As part of developing the methodologies the firm likes to prepare them using several different options and then coming to Council and offering the pros and cons to get their input because there are tradeoffs with different methodologies.

Council Member Ash asked to have clarified the geographic service area in Sierra Vista reflects the general development fee methodology. Mr. Bise stated that today the City's impact fee structure is a citywide structure and he does not see the City veering away from that; but that is one of the things that have to be looked as part of painting that three-pronged rational nexus test that is done when developing the impact fees.

- Evaluate need for credits

When of the things that has sort of evolved with impact fees and has been spelled out with very specific detail and SB15-2055 which is the States enabling legislation is evaluating the need for what is called credits. Credits are in place to guard against new development payment twice, once through the development impact fee and then again through a future stream of revenue.

When looking at credits the firm has to provide within the ordinance and fee study itself a mechanism for which the city provides credits for site specific infrastructure that a developer may develop as part of his project as part of the impact fee calculation. A lot of times it is seen that a development project may come in, they may dedicate land for park that is included in the development fee category or they may build a section of a road that is part of the development fee calculation and so the city has to provide a mechanism for the developer to get credited back for that infrastructure provision whether it is through a development agreement or reduced impact fees and etc. that can be worked out.

A second type of credit that needs to be looked at is future debt service payments in infrastructure so that they do not pay twice through the impact fee and then again through property tax or sales tax as used to retire that debt. In Arizona since most of the jurisdictions collect a sales and use tax on the sale of construction materials, which typically goes to the capital fund that is used to provide in many cases growth related infrastructure, there has to be provisions in there for credits for that revenue source so that again growth is not paying twice.

- Key changes to enabling legislation

The legislation is very specific and it requires three integrated products that the City is going to have to as a body adopt separately at the end of the process.

The first is the Land Use Assumptions document and this was something that in the past did not have to be approved by the legislative body as it was part in parcel of the impact fee study itself; but it has to cover a period of ten years.

The second part is the Infrastructure Improvements Plan (IIP) that is not an old terminology in Arizona; but part of the new legislation is that it limits it to a ten-year period. Prior to this legislation, there were impacts fees calculated for some jurisdictions that were very aggressive and took sort of a build out approach. This is the infrastructure that is needed for the next 20-30 years and then the math is done. The problem with that from the firm's perspective and the home builder's perspective is that the fees tend not to be grounded in fiscal reality because if projections have been done, then it is known that the first five to ten years are much more accurate than the later years. The intent there is to make the IIP fiscally responsible and also take into account the operating impacts, which there was a lot of discussion over the last three years with the impact fees update in Sierra Vista about the operating impact that the jurisdictions were not having in the ten years previous.

The Development Fee Reports through the new legislation is that it is putting an emphasis on the fact that development fees are not the panacea that some folks that they were and they are not going to solve all of the capital woes. In essence it is just one tool that the city has as part of a broader infrastructure funding strategy. The law's attempt was to put it into that context and perhaps the actual mechanics of the law have left a lot to be desired based on most of the cities' experiences with the new act.

Another big change in the act is that it has very strong teeth relative to defining what existing levels of service are. One of the tenants of impact fees has always been that the city cannot charge new growth for higher level of service than exist today unless there is some sort of funding plan to bring everybody up to that new level of service.

An example of that would be a library master plan or park master plan, a lot of times they are pie in the sky and they talk about the adopted level of service which is actually somewhere lower than that, have to reflect that reality. There is very specific language about that.

There are also limitations on what infrastructure can now be included in the impact fees. There are limitations in the parks and recreation category that limits the size of the recreational facility that is impact fee eligible to 3,000 square feet. It is the only act in the country that has this sort of provisions. It limits the parks to 30 acres in size and the firm's experience in Arizona and elsewhere is that it sort of goes against the new business model for parks and recreation which has been to divest themselves to smaller parks and go to the larger parks.

Libraries are not limited to 10,000 square feet and they have also eliminated the ability for cities to collect impact fees for public safety meaning fire and police training facilities.

Council Member Calhoun asked if that would be each library for instance in a very large city. Mr. Bise stated that a 20,000 square foot library could be built; but only 3,000 square feet could be funded with impact fees.

There is strong language about refund provisions to the extent that the cost of projects needs to come in within a certain percentage of the actual cost which has to be done through an audit. These provisions are in no other act and are very specific in Arizona and so far, the firm is only aware of two jurisdictions that have gotten that far in terms of the audit because they were early adopters. That is something that needs to be taken into account with each impact fee program now.

- Process

Mr. Bise stated that it is still early days. There is a lot of interviewing with city staff that usually happens on two different trips. The firm will prepare that Land Use Assumptions document which a draft has been circulated to staff and the firm is vetting that. Currently the firm is at the stage of determining the existing levels of service and looking at what are the capital needs due to new growth. The firm hopes to refine that and come back to Council in June with a work session on some of the findings. The firm also evaluates some of the methodological alternatives and what approach is best.

The firm will also look at the credits and will then come to Council with the Land Use Assumptions for adoption as well as the IIP and the Development Fee Report.

- Overview of adoption process

Mr. Bise provided an over of the steps. All three of the work products need to be adopted by the legislative body. The first round includes the Land Use Assumptions, the Infrastructure Improvement Plan. The second round has the Development Fee Study which can be modified during this period based on input from round 1 and that is where the firm will also do the revenue projections, the required offsets and any changes that need to be made to the Development Fee Ordinance.

Mr. Bise stated that when all of this starts, after TischlerBise has done all of the math and given Council the draft report, it is 225 days now from when that process starts to when the fees can be enacted. In the old days it was a 60 or 90-day period and it is now quite time consuming.

- Next steps

Mr. Bise stated that the firm will continue to finalize the Land Use Assumptions based on staff input and begin work in earnest in terms of developing that infrastructure Improvement Plan which the firm will have preliminary numbers for Council at the June work session. After that input is received, the firm will do some finer tuning and then he thinks that it is a good idea to take some of those assumptions to the stakeholder committee for a second meeting to get their feedback on the growth related infrastructure assumptions. From there the firm will prepare the final IIP and start to work on the development fee calculations.

In response to Council Member Gray, Ms. Jacobs stated the development fees and the study will not have any impact on the capital improvements fund. Council's policy regarding the setting of the fees is at 75% of the maximum supportable fee and the increase in the construction sales tax then at the end of each year is transferred into the fee to make the 25% difference. The CAC was asked if they wanted to consider that as a change in revenues and they said they did not. That policy issue will be brought back to Council in June at a work session to get confirmation from Council that this is indeed the direction that they want to go.

Council Member Huisking asked if the subsequent work sessions will review on what development fees can be spent for because they are also very specific.

Mr. Bise explained that the work session, especially if they are televised, is treated as a development fee 101 and then the firm will go into Sierra Vista specifics.

B. May 14, 2015 Council Meeting Agenda Items (agenda attached)

Item 5 Resolution 2015-044, adoption of the 2015 Projects for the Community Development Block Grant (CDBG) Annual Action Plan

Item 6 Resolution 2015-045, adoption of the 2015 Community Development Block Grant (CDBG) Annual Action Plan to submit to the Department of Housing and Urban Development (HUD)

Mr. Brush stated that the two items are related. The first would adopt the projects for the next round of CDBG funding for the upcoming year in the amount of $177,000. The second item actually approves the Action Plan, which is technically the application to HUD to receive those funds. It is a two-part thing but they are much related.

Mr. Brush noted that the memo having to do with the projects provides a lot of information and runs through the steps that staff went through as they went through the public process and came up with the recommendation on which projects to fund this year. Page three of the memo identifies nine projects and several of those are eliminated for various reasons. One is a project out of the area, another serves mentally ill individuals but it was brought forth by one of the people themselves as opposed to an agency and it would have to be an agency and it is not eligible.

Council Member Calhoun asked if the person that brought forth that project was directed to go look for an agency that might support what they may have wanted to have happened. Mr. Brush stated that yes and that would be a routine-type of thing. Ms. Thornton runs the process and she will be presenting the item on Thursday and can answer the concerns. She encourages all applicants or interested people to present projects so that staff has a list of what the needs are in the community. Someone like that individual is encouraged to come in and then directed to resources to the best that staff can do to get them to the right place to receive the help that they need or the funding that they want.

Council Member Calhoun asked if when folks make application is there is a form available to fill out. Mr. Brush stated that staff created a form because when this actually began, staff looked at HUD's form and it was about 20 pages long and asked for a lot of information that was not needed or relevant. The form that has been refined to a page and a half and it has been distributed broadly.

Council Member Calhoun commented on the fact that no one was present for the meetings; but that there were applications submitted. Mr. Brush stated that it indicates that the process leading up to that was doing its job because there was very broad dissemination of the information and letting folks know how they could go about applying for the funds.

Mr. Brush added that he feels that staff was able to reach the people that needed to be reached and stated that the next couple of project had to do with lighting both in Sulger and within Fry Town site. One of the lights would be on Taylor Drive, Nelson Drive area and the other is in the Fry Town site along Theater Drive which would begin to promote the plan that was put forth by Father Gregg regarding providing a pathway through Fry Town site, connecting different parts of the west side.

Project 8 gets into ADA improvements for parks and streets. These kind of overlap but the recommendation would be to provide some improvements both within Tompkins Park and Soldier Creek Park. Tompkins Park does not have ADA accessibility to the two different dog

parks and this would provide that as well as providing an entrance from the intersection of Buffalo Soldier Trail and Seventh Street into the park, which currently does not exist.

Within Soldier's Creek Park there is a parking lot and there is ADA parking within the lot but do not have ADA accessibility down into the park itself where recently installed were ADA playground equipment.

Also along Taylor Drive, Staff is recommending that several sections of sidewalk be built and ADA handicap ramps be constructed and this begins with that plan of interconnecting Fry Town site and west end in terms of sidewalks and lighted safer pathways.

In combination these work out to $178,000 and those are all priced estimates at this point and it would be refined as staff got further in depending on Council's recommendation.

Council Member Calhoun stated that she appreciates the way this was laid out so that Council could see what staff look at and why staff chose not to recommend a particular project.

Council Member Gray asked if Council is voting on the recommended projects. Mr. Brush stated that yes. They are two separate resolutions, the first recommends the projects and the second approves the application to HUD for those projects.

Council Member Calhoun asked about the overall plan from last year. Mayor Mueller stated that the challenges with services is that the agency has to be able to demonstrate that after they have gotten the grant and they raise their level of service to the community that they can sustain that level of service. That is a challenge on how that can be done.

Council Member Gray added that with social services, only 20% of the funds can be used and it is the same stipulation that they have to be able to prove that they can expand their program and no longer be dependent on these funds.

Council Member Calhoun asked about homeless programs. Mayor Mueller stated that if there is an application and they can show that they have the 20% and that they can expand their program and no longer be dependent on these funds, they can apply in 2016 per the plan.

Mr. Brush stated that Council has to remain consistent in the Annual Plan with the Five Year Plan that has been set into motion. Every five years the plan may be updated and change the hierarchy or the projects that Council wants to propose.

Item 7 – Ordinance 2015-001, City Code Amendments, Alarm Systems, Chapter §117; Purpose §117.01; Definitions, §117.02; Alarm Business, §117.03; Alarm Subscribers, §117.04; False alarm assessment, §117.05; Appeal Procedure, §117.06; General Regulations, §117.07

Chief Thrasher stated that this final approval of changes to the alarm ordinance. The 30-day comment period is over and only one comment was received which was a staff paper that was emailed. The main changes have to do with licensing of the alarm business and they would only be required to obtain a City business license since they now register with the State Board of Technical Registration, also eliminating for alarm users the need to obtain a City permit as the City would be able to get that information from the alarm companies, and the third point was to remove the specifications for false alarm fees that will not be set by the city manager on a yearly basis.

Council Member Calhoun asked about the reasoning for changing the fee for false alarms. Mr. Potucek stated that it is an administrative change and it makes it much easier for the City to deal with the data in terms of looking at how the program is being administered. If in fact, staff notices that it is improving the situation or making it worse, the City can more easily change the fee at the administrative level than bringing it back and going through the ordinance change process each time. If it an administrative savings.

C. Discussion of City Manager Staff Meeting Minutes

Council Member Gray inquired about the deadline for submitting legislative proposals. Ms. Jacobs stated that Friday, May 15th would be great and then she will get that information to the league as mentioned in her email. The League has changed their process and she will forward any thoughts that Council has any ideas and the reasons behind and then they will distribute it to their committees, who will then chew on each of them. It will be the committees that will forward recommendations for consideration at the League level.

Council Member Gray asked if that will include bills that were passed the last time that Council would like to see overturned. Ms. Jacobs stated that certainly, that would qualify. Mayor Mueller noted that portions of them.

Council Member Gray asked about Council individual meetings with the city manager to discuss the budget. Mr. Potucek stated that staff is hoping to get the proposed budget to Council by the first week of June. As soon as that book is out to Council, staff will go ahead and schedule the individual meetings if Council so desires with the budget staff. The budget work sessions begin the week of June 15th.

Council Member Gray asked about the most common answers regarding the survey that went out concerning businesses that the community would like to see in Sierra Vista. Ms. Jacobs stated that the City had over 400 responses and the top five were Five Guys Burgers, In and out and on the retail side, it was Kohl's.

Council Member Gray asked if the marketing strategy is being funded with current levels or is staff taking into consideration that the funding could change. Ms. Jacobs stated that what staff will be doing and what will be provided to Council is a copy of the draft Economic Development Strategy and a draft Tourism Marketing Strategy. The reason that it is going to be a draft is because the final strategy will of course be dependent upon the final resources levels; but it will indicate in there what the strategy would be, what the goals would be and what would be required in order to do that. Staff is a little ahead of the budget process but it is important that Council see what the thought in the plan are and that may also contribute toward informing Council about the final budget as well.

Council Member Gray asked about the Sierra Vista Ambassador. Ms. Jacobs stated that is someone who will know a lot about Sierra Vista and also be kind of the Brand Ambassador and really be someone who will help the City promote Sierra Vista's new image in a variety of different ways to the City's visitors, local businesses and etc.

Council Member Calhoun stated that she still believes that the budget discussions should take place in front of the public as much as possible so that people can give Council additional information on concerns that Council may have.

Council Member Calhoun also noted that she likes when council members can go in two or three at a time for the individual budget meetings with the city manager as she finds this

helpful. However, she will reserve her comments and discussion for a work session than in an individual meeting.

In response to Council Member Calhoun, Mr. Potucek stated that in normal circumstances, staff would have a pretty stable balanced budget to present to Council which would encompass most of the polices, Council's Strategic Planning items and maintain levels of service; but obviously this is an extraordinary year and a level of decision making is going to be required to go through the budget.

Mr. Potucek stated that he anticipates that Council instead of taking the one meeting that has been taken for a number of years, he imagines that all three meetings will be required and maybe even more than that. Right now staff is building the balanced budget given the current revenue policies. There will be a number of cuts in order to make that occur and at the same time, staff is also prioritizing items for restoration in the event the Council chooses to increase funding levels to restore the times that are being cut. Priority recommendations will be made to Council about those various items that were cut; but obviously it is up to the Council to determine which items would be restored as well as another number of initiatives or items that were presented in the departmental budget submittals that are currently being reviewed with the departments and prioritizing those in the event that funding is available.

Mr. Potucek reiterated that Council will receive a balanced budget and it will have all of the cuts and they will be numerous and across the board; but staff will be recommending items to be restored as well funding mechanisms to get to those levels. Those will encompass a lot of what the Citizens' Advisory Commission recommended as well as some of his thoughts in terms as to how to get there that will be presented in a way that Council can pick and choose, if Council wants to do that at the budget work sessions. In the individual meetings, Council members will be able to see all of that and ask questions about the various items.

Council Member Calhoun asked if those options would be available at the budget work sessions. Mr. Potucek stated that absolutely. Mayor Mueller noted that the key thing to remember is that the purpose of the individual budget meetings is so that everyone has the same base information available before going into the public meetings and start asking the tough questions. Same information will be presented at both times. Mr. Potucek added that it will be a more difficult process.

In response to Council Member Calhoun, Mr. Potucek stated that the tentative budget which is the proposed budget with the changes will set the cap on the budget needs to be accomplished by the first meeting in July. The final budget will then need to be approved by the first meeting in August.

Mayor Pro Tem Blanchard asked if the money from the sale of the west side property go into this coming budget. Mr. Potucek stated that the money from both sales, the North Avenue and the Cox Insite, are both in the capital improvements fund and currently staff will be recommending that it be used on the west side on the Garden Avenue improvements per the Council's Strategic Plan.

Council Member Gray suggested scheduling one or two days of half day or one full day of just sitting down and working through the complete budget as it seems to her that it would be more efficient to have one long meeting about the budget. Council Member Calhoun agreed.

Mayor Mueller noted that Council has the ability to extend their meetings. Mr. Potucek added that the meetings can also be double booked to a three hour session.

Council Member Gray suggested having a one daytime meeting in Council's Chambers or the Police Department to be able to sit and have some pretty frank discussion about the choices that Council has to make with the budget. Mr. Potucek stated that staff is willing to do whatever the majority of Council feels is the best.

Ms. Jacobs suggested the 16th as a half day for Council and then have the public meetings on the 17th and 18th. Mayor Mueller stated that he would rather double book the meetings and start at an earlier time as he does not think that there is going to be that much loss of energy as long as council members have certain things accomplished each time.

Council Member Gray stated that ideally she would like to see a retreat type of environment to talk. Council Member Calhoun noted that if the meetings do not take place in Council Chambers then it is not televised. Mayor Mueller stated that the meetings have to be in Council Chambers because it needs to be public.

A consensus was reached to hold the budget work sessions on June 15, 16 and 17 from 3:00 p.m. until 6:00 p.m. in Council Chambers.

D. Report on Recent Trips, Meetings and Future Meetings

Mayor Mueller stated that on Friday, May 15th, he will be at the League Meeting and reported that Ms. Fleming who is part of the Task Force relayed to him that the most important discussion will be on the PSPRS recommendations from the Task Force from the League and Fire Fighters. There are interesting developments.

Mayor Mueller also stated that he will be going to Safford next week for a SEAGO meeting and there really aren't any hot potatoes on the agenda.

Council Member Gray asked the Mayor to check with SEAGO what the stating is on the National Settlement Act that the State received. They had a two year contract and they are going to have last year removed and she would like to have that confirmed.

In response to Council Member Calhoun, Mayor Mueller stated that the USPP (PAC) meeting is at 9:00 a.m. over in the Mona Bishop Room in the Library.

Council Member Calhoun reported on a meeting where Council Member Ash was recognized as a Luminary for southern Arizona and congratulated her and thanked Ms. Hector for getting out the press release.

Council Member Gray inquired about the Arizona League Meeting. Ms. Jacobs stated that it is at the end of August.

E. Board and Commission Liaison Update

Council Member Gray reported that it is with great sadness that the Chair of the Airport Commission, Dick Mccolley, passed away.

Council Member Huisking reported that Bob Gent for the Tourism Commission is spearheading an effort in this community to get the Chiricahua National Monument renamed as a national park and he is asking for support from everybody to include the Council and

Mayor and all of the elected representatives at the State level because in order to make that designation, it takes congressional approval.

In response to Council Member Calhoun, Mayor Mueller noted that Mr. Gent will be presenting to Council at the next Council Meeting.

In response to Council Member Gray, Mr. Brush stated that the Planning and Zoning Commission will be holding interviews for three open positions at the first meeting in June.

Council Member Calhoun reported on the West End Commission's fair; reported that Mr. Doyle from the Historic Society is now attending the meeting as there is a partnership between the Historic Society and the WEC and he is going to serve as a liaison between the two groups; reported that a commissioner took a survey and the results are:

- Businesses want a west end face book page that links to the City Page;
- Businesses are interested to participate in any events that especially happen on the west end; but they are not at this point able to be in the planning;
- Businesses are interested in attracting people to the empty buildings; and
- Businesses are interested in a loan program as they want to increase greenery on Fry and have more street lights.

Council Member Calhoun reported that there was also a lot of discussion about landlords and improvements that are not happening. Also the businesses stated that they are not willing to do charity work right now; but they are interested in what is going on in the west end of town.

Council Member Calhoun stated that members of the Diversity Commission attended the West End Fair and they had a lively discussion about how they might be able to work together, the West End Commission and the Commission of Cultural Diversity, and partnering on projects.

Council Member Calhoun reported on a Sierra Vista Police Department Meeting regarding the Summer Kickoff Dance on June 5th at Veterans' Memorial Park at 7:00 p.m. which is primarily to show the teens how many things there are to do in Sierra Vista.

F. Future Discussion Items and Council Requests

Council Member Huisking asked if any action has been taken concerning the complaints on Piccadilly Drive. Ms. Jacobs stated that she would check with staff and get back to her.

Council Member Calhoun asked if process on how commissions get their recommendations to Council has been provided. Ms. Jacobs stated that she did draft something up and gave to Council sometime ago and it is also in Council's Procedure Manual which has not come back before Council.

Council Member Calhoun asked that the manual include a paragraph about Council's Meet and Greet. Ms. Jacobs recommended that she met with her as she is the only one that has had any comments in the last five months concerning the manual and she would like to get it on an agenda for final approval.

Council Member Huisking asked how the manual will be made available. Ms. Jacobs stated that staff has not given it any thought as it is an internal document for Council and will probably put it in Council's reading file.

G. Presentation and Discussion Regarding Teen Center and Cove Operations

Ms. Yarbrough stated that the Teen Center came to be because of Council's Strategic Leadership Plan goal in 2011-2013 that tasked staff with finding a way to bring back a teen center since the City had closed the former Youth Center just outside the Cove. After evaluating a number of options, the City finally settled on the fantastic option of leasing part of the former special services center from the Sierra Vista Unified School District located behind the administrative services building on Avenida Escuela and Fry Boulevard. The center opened in November 2013 and it was renovated for approximately $162,000 of which $100,000 was budgeted in that year's budget and $62,000 from the Tohono O'odham grant.

In order to plan the services and activities at the Teen Center, the City consulted with 7th and 8th grade JCMS students through presentations on what they envisioned in a future youth center. Dream Your City was going on at that time and so they dreamed about their future teen center. This is where a number of the current activities came out of, i.e., laser tag, music for which a grant was received for the DJ booth and recording studio, the classic arcade games, and space for them to hang out which was very important to them. The Youth Commission was also consulted on all of those activities, the design of the center, the hours, the name of the center, ages of participants and etc.

The Teen Center is currently managed by the Library Administrator and it currently operated five days per week, Tuesday through Saturday from 3:00 p.m. until 8:00 p.m.

Ms. Yarbrough noted that the kids stated that opening later on the weekends was important and it also opens early on school early release days. Currently the attendance is low on Tuesdays and Wednesday as the Center has anywhere from no kids to occasionally up to ten kids. It starts to pick up a little more on Thursdays with Friday and Saturdays being the busiest times with about 30 to 40 kids and more if there are events going on.

Ms. Yarbrough provided a list of the activities at the Teen Center as well as details on the current budget which is small:

- Three part time staff, $28,000
- Supply budget, $5,000; and
- Utilities are $9,195.

The Five-year lease may be extended up to 15 years. The School District took the value of the improvements and used that in lieu of rent for the first three years. The remaining two years of the lease will begin in FY2017 which will cost $3,855 per month.

In response to Mayor Mueller, Ms. Yarbrough stated that the utilities are the annual cost.

Ms. Yarbrough stated that staff has provided options for future operations:

- Option One, stay a Teen Center for ages 13 – 17 and limit hours
    - Open Thursday – Saturday from 3:00 p.m. until 10:00 p.m.,
    - Continue offering basically what is offered now;
    - Savings, $5,000.
- Option Two, really rethink the current mission
    - Stay open Tuesday – Saturday;
    - Expand age ranges to down 12 and up to 18;

Council Member Gray asked if the legal ramifications have been looked into regarding 18 year olds at a teen center regarding supervision.

Ms. Yarbrough explained that it is not a legal restriction. Staff looked into it and mixing adults with children is a concern; but it could be done and they are not legally bounded from doing that.

Council Member Gray asked if there is any case history of any centers that do allow 18 year olds. Ms. Yarbrough stated that she knows that they are out there and staff will look into it.

- Rename the building as most of the kids think that it is uncool;

Ms. Yarbrough stated that staff is looking at holding a contest to rename the building. Council Member Calhoun stated that the reason it was named a Teen Center is because they did not want 12 year olds to be there; but she likes the idea for a name for it.

- Add homework help;

Ms. Yarbrough stated that one of the options is to add homework help because the middle-schoolers are the kids that have more time. The teens and high schoolers are busy with after school activities, homework and other jobs that they don't come to the center. Staff wants to capture that middle school audience so that the center can keep them as they grow up their teen years.

Council Member Gray stated that she remembers that one of the issues mentioned when putting the Center together was that the kids did not want structure as they wanted things that they did not have at home.

Ms. Yarbrough stated that she does not have specifics yet. These are ideas for an audience because right now the Center has hardly any middle school audience. Staff believes that most of the teens that are at the Center are the middle schoolers that started out and grew with the program. Maybe homework help would not be that popular and staff could always adjust; but certainly adding more programming targeted towards middle schoolers.

Council Member Huisking asked about a counseling service and if transportation would be an issue for middle schoolers.

Ms. Yarbrough stated that staff would have to find out. There are busses from the high school and the middle school that go over to the Teen Center daily. Staff did approach a place about counseling and they were not able to make it work out; but it could be re-visited along with what could be done about transportation.

Council Member Ash stated that she agrees with Council Member Gray; but on the flip side having something slightly structured like homework help can be an incentive for parents to want to drop off their kids at the Teen Center and they can kind of grow up with Center knowing that they can do other things besides just hanging out. The structured programs could help grow a young person.

Ms. Yarbrough stated that staff went almost 100% with youth advised activities and what staff is proposing with this option is still doing mostly what the kids say they wanted; but really adding some of those things that they said that they did not want, i.e., home work help, a computer lab and etc., which would probably be a good thing to add.

Council Member Ash stated that as a young person, she did not want help with homework; but it was definitely an incentive for her parents to send her there.

Council Member Calhoun suggested that an activity that did restrict age that at certain times it be available for the 18 year olds.

- Option 2.5, rethink mission and expand maker options

Ms. Yarbrough stated that maker spaces have become extremely popular particularly in libraries and they are tools and space to create or make. They can be just about anything, i.e., computers, sewing, wood work, using the DJ booth for music making and it fits with STEAM goals. There are many grants available and it does support economic development for the community.

If the City did this, it is more of a long term option; but more staffing and funding would be needed for the center as a whole.

Also looking at public-private partnerships for the operation and offering services at the center.

- Options for future operations

The question of renting out the facility has come up many times and the Youth Commission and staff recommended when the center first opened not to do it. It creates a lot of issues and there are a lot of things that would have to be thought through if it was decided to rent out the facility for parties. Staff will need to think about whether parties could be held during prime times for parties which are Friday and Saturday afternoons and evenings; but that is also the time that the Teen Center is most heavily attended. If parties are allowed during those times then the Teen Center would have to be closed to allow for the group that are there to use it.

Staff time would have to be built into the fees and so the Department is proposing that 26 to 50 people, $50 is about the most that with two staff could manage and estimate about $2,500 in revenue per year. The previous youth center averaged about $1,600 per year in revenue.

The building is filled with a lot of fragile and expensive equipment and it is great supervised by staff for the number of teens that the Center gets; but the Center does not have the replacement funds to replace a lot of the equipment, i.e., arcade games that cost anywhere from $5,000 to $8,000. Staff found vintage ones and they require care. Any time that the service representative has to get called out it is about $100 to $200. The laser tag which is very popular is about $1,600 per vest and gun.

Mayor Pro Tem Blanchard stated that it seems to him that amount of money that the City would be paying in a couple of years for the rental to the School District is not worth it for the numbers of people that come in. That is about $100 per month per kid. Unless the City can get more kids to come in because 30 is not a whole lot of people considering the number of people in town. It looks like the City is not getting the number of people to go to the Center to make it worthwhile.

Council Member Gray stated that she understands Mayor Pro Tem Blanchard on a fundamental basic level; but she thinks that it is part of what they are trying to do, to look at ways to get more people in there because the City has basically a year before paying rent. This is definitely something that Council would need to evaluate again and it is dependent on Council to make sure that they have the funds available to be to effectively market and advertise the Teen Center. Council is going to have to look at that and understand.

Mayor Pro Tem Blanchard stated that the City is doing a lot for the School District that other cities do not do and in his opinion he feels that the City is being taken to the cleaners.

Council Member Gray stated that perhaps negotiating with the School District may be an option. Although, she believes that the City negotiated a good lease with them.

Ms. Yarbrough noted that the Teen Center has only been open for a year and a half and it takes time to build up that group and have to keep the middle schoolers to high school. The Center has only made it through one cycle of middle school to high school kids.

In response to Council Member Huisking, Mayor Mueller explained that both of the options, Teen Center and Cove, are being presented to Council so that Council knows what options are available before going into the budget discussions for the year and have a chance to comment to Ms. Yarbrough directly during the individual meetings as well as the budget meetings on both of the topics.

Ms. Yarbrough stated that she wanted to frame the following discussion around Council's priorities in their new Strategic Plan. In Council's vision mentioned was developing and strengthening a health community and in the mission Council comments on a strong, healthy and vibrant community. One of the critical success factors is a healthy and active way of live.

Back in the late 90's the City's outdoor pool in Veterans' Memorial Park needed replacement and so there were two survey commissions. One was done by the Center for Economic Research on what the community wanted in its future new pool. The survey showed a desire for a wave pool and water slide over a competitive pool. Staff originally recommended a six lane pool with a children's lagoon, therapy pool, water slide and wave machine estimated at $4.5 Million.

The competitive swimming community spoke up and said that the City was addicted to mediocrity and had the opportunity to do things right with the new facility and so when the Cove opened up in February 2002, the final cost was $6.7 Million to accommodate both the competitive swimmers and recreational use. The additional funds went towards expanding the six lane pool to an eight lane pool. There was an additional slide added along with the diving wall which expanded the size of the building.

Staff analyzed pools around the country and told Council that a 50% cost recovery goal was about the best that could be expected while keeping it affordable for the community. Staff has met that goal within a few percent each year. Public pools across the county just like the City's pool are subsidized just as other services such as parks and libraries.

Ms. Yarbrough stated that the prices were raised for the first time since 2011 and attendance and revenue went down slightly.

In response to Council Member Calhoun, Ms. Yarbrough stated that each children, adults and seniors were raised by $1. They went from $3 to $4, $4 to $5 and $5 to $6.

Council Member Ash asked if the 50% cost recovery goal is normal throughout the country and compared to other cities. Ms. Yarbrough stated that it was here understanding based off of the analysis.

Mayor Pro Temp Blanchard stated that Council did not establish a 50% goal. The Council established bringing in 40% revenues and subsidizing the rest. The Cove has done a whole lot better than what was envisioned when Council decided to put the Cove in.

Ms. Yarbrough stated that as the only public pool in Sierra Vista, the pool is open six days per week. The winter season which is August through May the pool is open Monday through Saturday and during the summer, June and July; the pool is open Tuesday through Sunday.

The activities that are currently offered at the Cove include lap swim, water walking, splash time and open swim. The swim lessons are held during the summer and winter. The facility is used by a number of people for therapy, private parties, field trips, events and home schoolers.

The budget for this fiscal year the cove is at $441,000 and the majority of that is salaries and burden. The majority of that salaries and burden are part time salaries and it is budgeted at $198,000, which covers about 20 to 30 lifeguards. The Cove is also funded for a full time aquatics coordinator and a head lifeguard; but there have been no applicants for the head lifeguard for almost two years. Operations and maintenance is just over $73,000 and the utilities are $158,000 actual in the last fiscal year, which is part of Public Works' budget.

Council Member Calhoun asked why a head lifeguard and aquatics coordinator has not been hired. Ms. Yarbrough stated that the Cove does have an aquatics coordinator; but have not been able to hire a head lifeguard.

Ms. Yarbrough stated that in the last two years, the Department has been able to reduce the budget through cuts and savings at the Cove by just under $145,000. That was accomplished through one day a week closures starting the winter of 2013 because before that the Cove was open seven days a week since it was opened. The one day per week was expanded during the summer, last summer, and has continued with the one day per week closure.

In staffing, originally there were 45 lifeguards budgeted, one aquatics supervisor and one aquatics coordinator. Today there are 20 to 30 lifeguards, one aquatics coordinator and one aquatics supervisor that is split between supervising aquatics sports special events and senior activities. The staffing budget has been reduced full time and part time in fiscal years 2013 and 2014.

Ms. Yarbrough stated that she included in the utilities costs in fiscal year 2013 and 2014 and that was a reduction of over $35,000 through Public Works hard work on finding efficiencies in water and electrical use.

There have been some miscellaneous budget cuts just over $10,000 and it all adds up to $145,000.

- The impacts on the ability to operate effectively

Ms. Yarbrough stated that one of the major problems is salaries across the board. Currently the lifeguards make minimum wage and that is $8.04 an hour. The Cove mainly has teenagers that work as lifeguards and there are many more attractive options out there that don't require the training and make much more than minimum wage. The head lifeguard salary starts at $27,000 per year and it is not enough to attract someone out of town to move to the community and the Cove's lifeguards are structured so that there are lifeguards ones, twos and threes and the City is supposed to keep the lifeguards so that they can move up and the

best option for a head lifeguard is to move someone up through that structure. Train them within so that eventually they are qualified and apply for the head lifeguard salary; but have not had that. It has also affected the services, i.e., early morning laps and swimming lessons.

There has been a misconception on why early morning laps was suspended as a cost saving measure; but the Cove needs those lifeguards twos and threes that are responsible enough to oversee the early morning lap swim. The Cove was having staff cut their day in half to try and cover all of the areas that there was no coverage leaving nobody inside the building in charge during business hours and this is not supportable anymore. The early morning lap swims have been suspended until the levels of staff are back to have the staff available to supervise that early morning service.

There is a great demand for swimming lessons; but the Cove does not have the staff to teach it. Each year, swimming lessons sign up day is probably the worst day to work the front desk at the Cove or the Community Center because there are so many people that they are lining up around the building to register for the swimming lessons.

The declining budget has also affected the preventative maintenance and a couple of the items that have come up recently are that the slides need to be reconditioned. These were recently looked at for minor repairs and staff was told that the slides are in good condition. The computer systems that feed the chemicals to the pool in the diving well have had a lot of problems over the last few years and they are in the proposed budget for next year to be replaced. They are absolutely on their last legs as last summer when one had to be repaired that feeds the main pool; staff had to buy the mother board on EBay. The computer that feeds the diving well was just repaired and it was the last piece available in the country. If these break, the Cove will need a new one or the pool is shut down.

The wave machine continues to be a source of great frustration. The motor went out a few weeks ago, it was fixed, re-installed; but the machine is still suffering a heavy vibration. Public Works staff is waiting on a vibration analysis and a structural analysis of the back room of the Cove to determine what the issue is that is causing the vibration. There are currently no waves at the Cove and have not had waves for a couple of weeks.

Council Member Gray asked about the number of complaints received due to not having the waves. Ms. Yarbrough stated that none that she is aware of.

Ms. Yarbrough stated that the roof is retractable and there has been an ongoing problem as it broke a few months ago. It has taken awhile to get the right parts in and although the company has been there to repair it, the roof is still not repaired.

Ms. Yarbrough noted that it has been a challenge to keep things going and she commended her staff and Public Work's staff for keeping things going the way that they have.

Council Member Huisking asked if the salaries are changeable to attract people. Ms. Yarbrough explained that yes, if the Cove had the money to do so.

Mr. Potucek stated that he recently approved increasing the hourly rate for lifeguards since it has been so difficult to attract and retain them; but that adds more cost to the operation of the Cove without the revenue there to support it.

Options for future operations:

Ms. Yarbrough stated that staff has worked hard to put together five options on what are some possibilities for future operations at the Cove.
Option1 the Cove would be closed an additional day. The Cove would be open Tuesday through Saturday from August through May and the City would see a salary savings of about $24,000; but the City would lose $22,000 in revenue and so the City would only save $1,700. The impact would be losing a day of lap swimming, a day of splash time, the Tsunami Swim Team practice, a day of open swim, water class exercises, two days of winter break open swim and field trips. There would really be no event or rental impacts.

Option 2 the Cove could look at becoming an exercise facility only year round meaning no open swim anymore. If the Cove was open Monday through Saturday year round the City would save about $75,000 in salaries; but the City would lose $117,000 in revenue and the City would end up losing about $42,000. The impact would be losing open swim all year round, no spring break open swim, no winter break open swim and no field trips. The events that would be lost or impacted would be Water Wise, the Spring break Tsunami Night, and two large events held every year, GREAT and Girl Scout Cookie Kickoff.

Option 3 the Cove could become an exercise facility and limit the number of days per week that it would be open. The City would save a lot more money; but the City also loses a lot more revenue which would affect quite a bit.

Option 4 the Cove could look at becoming an exercise facility only for ten months out of the year and then open swim during summer only, June and July. The City would save about $53,000 in salaries and lose just under $50,000 in revenue, saving under $4,000. There would also be some utility savings because staff could lower the temperature in the pool during the winter; but the Operations Manager does not want that.

Council Member Gray commented that it is already too cold in there.

Ms. Yarbrough stated that the impacts would be no open swim, no spring/winter break, field trips or events.

The most radical option would be to look at completely closing the Cove 10 months out of the year and opening it up in June and July only. Training would have to take place in late April for lifeguards and swimming instructors. The Cove would be open Tuesday through Friday for swim lessons, swim team rental, daily open swim, and lap swim. Lap swim and open swim would be on Saturday through Sunday and after hour rentals on Friday and Saturday. There would have to be accommodations made for the Buena Swim Team practice and swim meets August through November. The City would only save $77,000 in salaries because the Department projects in order to actually bring enough staff for just the summer. The Department would have to raise the salary to $15 an hour and the City would lose half of the Cove's revenue and save about $70,000 on utilities for a total savings just under $10,000. This would impact everybody that uses the Cove for exercise and anything not just in June and July.

Ms. Yarbrough stated that she wanted to include just for comparison looking at some of the other parks and faculties, what is paid to operate and maintain them, what the City receives in revenue and the cost recovery. Veterans' Memorial Park and the sports fields' materials, labor and utilizes along with the respective revenue, on both the City makes 43% of the money back that it takes to operate and maintain them.

Ms. Yarbrough stated that what is spent to operate the Library and the amount of revenue that the City gets back, it is about 3% for the total cost recovery.

Mayor Mueller asked about last year's total cost recovery for the pool. Ms. Yarbrough stated that it is right around 50%.

Ms. Yarbrough stated that the Cove is by far the facility that does the best cost recovery on any other facility or park that the City operates.

Council Member Gray asked if there would be no open swim during August through Mary in relation to Option 4 as an exercise facility for 10 months. Ms. Yarbrough stated that she is correct and the focus would be on lab swim, the swim team, water exercises. The Cove would offer basically what is currently offered without the weekly open swim during the winter.

Council Member Gray asked if that means that there would be more times for lap swim. Ms. Yarbrough stated that probably.

Council Member Gray if the thought was that the Cove might get more people in and see a bigger difference in the recovery. Ms. Yarbrough stated that it is possible but she does not have any projections.

Mayor Mueller asked about the marketing budget. Ms. Yarbrough stated that the advertising budget for the Cove is $9,000 a year.

Council Member Calhoun asked if that is sufficient. Mayor Mueller and Council Members Gray and Huisking replied that it is a good question.

In response to Council Member Huisking, Ms. Yarbrough stated that open swim brings in by far more revenue.

Mayor Mueller asked if that is the most cost effective. Council Member Gray asked about the expenses associated with open swim. Ms. Yarbrough stated that if Council looks at the options. The options where open swim is cut, the City loses far more money than those where there is open swim.

Council Member Gray noted that open swim is paying for itself at least.

Council Member Ash thanked Ms. Yarbrough and called the presentation extremely informative. Particularly, the percentage of the cost recovered by the Cove as compared to other public goods that are in the City and is not well known. This is very clear when the City has had its CAC meetings and the comments in the newspaper. That comment needs to be echoed more because that is a fact that people do not know or choose not to.

Ms. Yarbrough stated that Public Works put in a lot of work to get to her those numbers quickly.

Council Member Calhoun stated that her comments are very much the same and she particularly like that Ms. Yarbrough included the impact and she appreciates those choices.

Mr. Potucek stated that in the balanced budget right now, staff is working very hard to try and include the Quarter Million to a half million dollars that will be necessary to provide the maintenance that is sorely needed there and if the City does not do that, he does not think that

the City can keep the facility open in a safe manner so that has to be done. Due to all of the work that needs to be done, the City can probably anticipate two to three months of closure next fiscal year during the winter regardless.

Council Member Gray asked how much is would be to replace the wave machine. Ms. Yarbrough stated that the last time staff looked at the cost for replacement; it was about a quarter million dollars.

Council Member Gray asked if people would miss the wave machine if it was not replaced that it would significantly decrease revenue. Ms. Yarbrough stated that she talked to staff about this and what they said was that during the summer, it would not have an impact; but during the winter, it would and there would be a decrease.

Council Member Gray asked if lowering the rates to get in would make up for not having a wave system. Ms. Yarbrough stated that she would recommend that.

Mayor Mueller thanked Ms. Yarbrough for a great job and noted that if the vibrations on the wave machine are structural, it will cost a lot more.

3. Adjourn

Mayor Mueller adjourned the work session at 6:21 p.m.

_____
Mayor Frederick W. Mueller

Minutes prepared by:

Attest:

_____
Maria G. Marsh, Deputy City Clerk

_____
Jill Adams, City Clerk