

Sierra Vista City Council
Work Session Minutes
December 17, 2015

Present:

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

Others Present:

Chuck Potucek, City Manager
Mary Jacobs, Assistant City Manager
Adam Thrasher, Police Chief
Ron York, Fire Chief
Sharon Flissar, Public Works Director
Matt McLachlan, Community Development Director
Mike Cline, Code Enforcement Officer
Tina Moore, Planner
Pam Weir, Management Analyst
Victoria Yarbrough, Library and Leisure Services Director
Jill Adams, City Clerk

2. Presentation by TischlerBise regarding City's Development Fee Study and Next Steps (In accordance with City Code Section 30.16 revised, this item is being notice for public comment)

Ms. Jacobs stated that according to the City Ordinance, the City is required to review the development fees at least every three years. The City engaged the series of TischlerBise, who have been working with the City since they were first put into place in 2007. They do a great number of development fee studies across the state.

Ms. Jacobs introduced Carson Bise from TischlerBise, who came before Council several months ago to give an outline as to what was being done and how the City also had a stake holder conversation last week with the development community. Mr. Kraps provided a great deal of input via the phone and there are present a number of members of the development community present. The item has been posted for public comment because that is what staff is looking for and Mr. Bise will outline several options that Council is going to want to consider, policy options as to how Council would like to proceed. Staff is looking for direction on which options Council is comfortable with so that the report can be finalized as well as the new fees because it is a lengthy state process. There are pros and cons to the different options.

Mr. Bise stated that they are in the home stretch here with the impact fee study; but there are a few implementation issues that he would like to discuss with Council from a policy perspective that has pros and cons either way.

When talking about development fees they have to basically build a three-legged stool:

- Need in terms of the City has been growing and it is going to grow in the future and that growth is going to nictitate the need to construct growth related capital facilities;

- Proportionality, proportionate share and that leads to developing fee schedules that vary by type of residential unit and by type of nonresidential land use, the crux of policy discussions; and
- Benefit, which is shown in two ways:
 - o Geographically and Sierra Vista is small enough that most cities this size do not need to get into geographic service areas because the idea there is that if you are not collecting the fee in one area of the community and then spending it in a completely different area for which that fee receives no benefit; and
 - o Timing of expenditure – one of the changes is SB1525 that happened three to four years ago, is that it now sets more concrete limits in terms of accounting and expenditure controls. The money has to be spent within 10 years, a longer period than what is seen in other states.

The idea is that the city is not just collecting money, putting it in a fund and not spending it so the city has to make sure that the fee payer receives a benefit within an appropriate period of time.

General Development Fee Methodologies:

The way to calculate fees is by looking to the past, present and future. Looking to the past is a cost recovery or buy-in in method and the idea is that there is an oversized facility, existing debt service and new development is going to pay its fair share going forward.

The incremental expansion or consumption based approach looks at the present in terms of current levels of service and it is more of a formally-based approach that looks at current levels of service, cost to replicate that city-wide, and expanding the system as growth occurs, which is seen a lot with parks, libraries and government-type of facilities.

Looking to the future is a plan-based approach and that is seen a lot for roads and utilities, which is based upon an adopted master plan, projects within a CIP; but it is very specific and laid out. Some of the things that a city may want to guard against, from a policy perspective, is that a city does not want something to happen like the great recession where there is commitment to build something at a certain price point and the city is counting on development revenue to pay a certain percentage. However, if the revenue percentage does not come in because growth is slow, then the general fund has a lot of exposure.

These pros and cons, vetting process occurs more at the staffing level when looking at ways to calculate fees for specific categories.

Evaluate need for credits:

In terms of developing the methodology, the Acts in Arizona had some changes to it three to four years ago when it was adopted that was related to credits. It is not specific to Arizona in terms of needing to grant credits; but the idea is to guard against new development paying twice, once through the development fee and again through a future stream of revenue whether that is sales tax, property tax, gas tax, utility rates and etc.

There also has to be provisions for site specific credits, i.e., when a developer constructs a facility or donates land that are already being assessed as part of a development fee. There has to be safe guards in place, i.e., some sort of agreement where they are paid back through impact fees or discounted impact fees. The mechanics of that are more on a case by case basis. The idea is not to pay twice through either revenue or construction of facilities that are included as part of the impact fee calculations.

Mr. Bise briefed Council on the process that was used that started with interviewing key staff from each of the departments:

- Developed a Land Use Assumptions Document, which is the document that tells the story of how the city got to where it is in terms of population, housing, nonresidential and residential development and etc. and what the likely projections are going to be the next ten years;
- Determine existing LOS and growth-related capital needs;
- Determining appropriate generators of demand, i.e., persons by household, by type of unit, how many vehicle trips are generated, different type of land uses, how many employees, and etc.;
- Evaluate methodological alternatives and the delay has been caused by looking at different approaches;
- Evaluate the need for credits;
- Prepare Infrastructure Improvement Plans (IIP); and
- Calculate development fees.

The IIP and Development Fee Report will be at an 85 to 90 percent status and TischlerBise is ready and anxious to finish it out based on conversation held during the work session.

Mr. Bise displayed a chart with four categories of calculated development fees:

- Citywide service areas in all four cases; and
- Methodologies, incremental expansion that looks at the present:
 - o Parks in terms of multiuse paths and trails;
 - o Police for communications equipment;
 - o Fire for communications equipment;
 - o Streets;

It is sort of a hybrid between plan based and incremental expansion; but that looks at arterials and intersections.

Cost recover, looking at the past, was also done for certain park facilities as well as the police station, animal control facility, fire apparatus and fire stations.

Discussion of policy objectives:

The first issue to discuss is how many nonresidential fee categories the city wants to have as part of the study. The other item is the removal of the parks component from nonresidential fee structure.

Mr. Bise stated that allocated was 100 percent of the parks and recreation cost to residential development during the last fee study, which is pretty standard nationwide. The only time that a nonresidential cost is seen is within areas that are huge importers in employment because they stay and take advantage of the recreation. One of the changes to the Arizona Act was language about charging all land uses for all categories.

Mr. Bise noted that it is important for Council to know that when the last fee study was done, Sierra Vista and the City of Yuma were the first to go under the new Act. TischlerBise's interpretation when conducting the City's study was to do the analysis and if that analysis shows that nonresidential activity is not impacting parks and recreation, then the city has met the letter of the law. As calculation of fees proceeded in other parts of the states some of the home builders associations were very adamant that parks and recreation be charged to nonresidential development. However, the conversations with Sierra Vista's development community and the past from the last fee study don't seem to have that position. One

unintended consequence of charging nonresidential development for parks is that it increases the nonresidential fees and that has economic development gratifications.

TischlerBise suggests moving the multi-use paths from the parks and recreation study to the streets fee category because conversations have indicated that they are really a part of the transportation network, which is not uncommon. More cities are taking that stance and a lot of the trends nationally are leading towards that direction because the new in vogue transpiration planning are moving people not vehicles and multi-use paths are easily duck tailed into this multi model of transportation environment in many communities.

Policy Decision One: Existing nonresidential fee structure shows the draft fees at 75 percent amount because the last fees were adopted at 75 percent under the current nonresidential fee structure. It is allocated to hotel per room; commercial that includes retail related services, offices and business office services, industrial and institutional.

Institutional is a category that includes a lot of different uses. It includes schools, churches, government buildings, and daycare even though daycare has its own ITE, nonprofit, and a myriad of different land uses. This was not much of an issues prior to the City's last update because the fee study had a myriad of nonresidential categories; but one of the things that has been happening nationally and partly due to the recession, is that the retail and office categories have been condensed to the average that cuts a break to the local mom and pop type of businesses, the job creators in most communities. Otherwise, the large big box uses pay less for square feet than the smaller uses. There has been movement to condense the fee schedules in general; therefore, a lot of the detail is lost for things like the institutional uses that may have been separated out in previous fee categories. Also some of the industrial uses that were separated out, i.e., warehousing, whole sale trade and those types of things are rolled into the industrial category.

The institutional use has a very high cost per thousand square feet and it is the same for office and other services.

Policy Decision Two: Four nonresidential categories

Does not show an institutional use and condenses the fee schedule further to hotels, commercial, office and other service, and industrial. Under this scenario the City would contact TischlerBise to calculate the fee on a case by case basis because it could be any number of uses, which is not unusual.

Mr. Bise noted that the current City ordinance has a provision for independent fee calculations and appeals since it can be any number of uses, thereby lessening the administrative burden in calculating the fees.

Policy Decision Three: Multiple Institutional Categories.

There are two options; one is to have TischlerBise calculate the fee for multiple institutional categories, i.e., hospitals, daycares, churches, schools, the broad institutional uses. The second option is for TischlerBise to calculate the fee for other institutional fees on a case by case basis.

Mr. Bise recommended that if the City went with Option One, that thereby some additional detail to the industrial category where things, i.e., warehousing, telecommunications and utilities are separated out that most communities get once every five years. It is a good compromise because it has the condensation of the office and commercial uses; but provides

a little more specificity in terms of those others and if things don't fit nice and neatly, the City can always contact TischlerBise.

Policy Decision Four: Parks are residential component

This shows the fee schedule for the three residential uses which are single family unit, multi family unit and manufactured housing. This is shown under the four categories of hotel, commercial, office and other services and industrial.

The commercial fees range from \$5.25 per square foot to \$1.40 when going down the spectrum from commercial to industrial.

Policy Decision Five: MUPs are streets component

The commercial goes from \$5.25 to \$6.02, office and other services goes from \$2.21 to \$2.54 and industrial goes from \$1.40 to \$1.61. These are increased slightly; but the nonresidential fees go down from \$4,554 to \$4,100 for a single family unit.

Parks Components: cost recovery

- Cyr Center Park (debt)
- Parks Maintenance Facility (debt)
- The cove (debt)
- Multi-use paths

Police Components:

- Police station expansion (debt)
- Animal Control Center (debt)
- Communications equipment.

Fire Components:

- Fire station (debt);
- Fire apparatus (debt); and
- Communications equipment.

Streets Components:

- Arterial improvements; and
- Signalized intersections.

Joe Kraps stated that there was no mention of the library and asked if there was a dollar amount associated with the institutional portion per year that would be collected based on potential builds.

Mr. Kraps asked if it is reflective in the other four categories the total dollar amount if the City deletes institutional with a dollar amount associated to it.

Ms. Jacobs stated that the last round of development fees included a fee for the library; but State Law has restricted very much what a city can do in terms of a library fee. Now that the City has almost paid off the debt and the City has no short term nor long term plans for a branch library, it is inappropriate to charge a fee if the City is going to collect it and not spend it on something that the City thinks is going to occur. The library fee has been zeroed out and it was only applied to the residential component. It can be brought back in the future if there is movement toward the City's longer term plans as the Tribute develops. The Tribute Master Plan Community does have a location for a future branch library in the future; but that would be another policy decision.

Council Member Calhoun asked if the City will be prepared in ten years for library plans. Ms. Jacobs stated that there is a careful balance between good planning and being realistic. Right now staff does not see it potentially even in the ten-year mark. The City has the capacity right now and the growth projections are much less than they were eight years ago when the City originally did the first round of the development fees. Staff feels comfortable that if there is a three-year gap of not collecting and reassess three years from now, that if that something that looks a little closer at that point, that the City can added it back and it won't be a significant impact because what the City is likely to do at that point is to collect some portion as everyone has to pay the same amount and it would have some capacity and continue to collect years in the future.

Mayor Mueller noted that the City has a Capital Improvements Plan that is a part of the budget on an annual basis and added that he hopes that Council Members look through the list of projects and cost during the budget process.

Ms. Jacobs stated that when staff had their conference call with TischlerBise and they were looking at what came out for the institutional category they all said that it was not what they wanted to have on the schedule. In a quick calculation, if that fee were to have been charged to a Salvation Army new structure, it would have been \$200,000 and it is not appropriate. During discussion, staff talked about options and taking out the category all together and if the City gets a church or school and etc., some of which are exempt by the City Ordinance, than a calculation can be done based on that.

Ms. Jacobs explained that Mr. Kraps is talking about the City's revenue being reduced due to the City deleting the category. Deleting the category does not reduce the revenue because this is the City's best guess as to what will be appropriate should those developments come in. Deleting the category, that alone, does not raise any other fees in any of the other categories. It can be deleted and the integrity of the study remains and that is important.

Mr. Kraps noted that by deleting institutional there is a projection of how much institutional may be built. Ms. Jacobs added that it is so small that is the reason why that number was so high.

Mr. Kraps asked that if they do come in, i.e., the Salvation Army, would they have to go and do a case by case basis because it is not on the list. Ms. Jacobs stated that the City would take into account what the anticipated trip generation of a facility like this and do a calculation knowing that they get a lot of walk ins and they would do a case by case analysis of that.

Mayor Mueller asked Ms. Jacobs that what she is saying is that they are not really being exempted. Institutional would be a case by case assessment. Ms. Jacobs added that is correct and the City would generate that. They would still have the opportunity to appeal that; but the City would generate that by contacting TischlerBise to do that particular study.

Ms. Jacobs provided the new hospital as an example because when they came in, the City took what was in their fees that was a large number, which they thought to believe was high and so the City contacted TischlerBise which was done at no cost. The City provided them all of the data and they did a customized analysis based on the City's hospital, the number of trips generated based on the City's size, the number of beds and it actually reduced that development fee, fairly and justifiably based on the appropriate methodology that fit in with the fee study. That was presented to the hospital and then they paid their fair share based on a revision and any development that comes in can do the same thing and the City would encourage that because it is just not going to be possible to have one commercial rate that is

necessarily going to be fair for everybody. That is one of the things that staff toyed with because the City could have multiple categories; but as Mr. Bise mentioned, there are pros and cons to that as well. The City could have a single category; but encourage those individual reviews so that it is a fair based on trips generated, impacts to growth and etc.

Mayor Mueller stated that he appreciates Mr. Bise providing the information free of charge with regard to the hospital and asked that if an additional contract is necessary by having institutional separated out. Ms. Jacobs explained that the fee is covered under the current contract. Mr. Bise added that they do it for all of their contracts and it takes them about 30 minutes to provide the information.

Council Member Gray asked if the policies would stay in place by doing it on a case by case basis because there are some that are exempt. Ms. Jacobs stated that she is correct.

Council Member Gray asked about mom and pop shops being on a case by case basis. Mayor Mueller noted that it is by category. Ms. Jacobs stated that the City has the ability to do additional case by case studies and the City would continue to do that. It is all based on MUCTD categories of trips. If there is a type of business that is coming in that is largely internet based or has a small store front, the City would want to do the calculations for that because if they are not generating the kind of traffic that is impacting the City's growth and the requirement to add additional lane miles in the future, which is the whole point of the transportation development fee. The City does not want them to pay more. The City wants it to be a fair process.

Council Member Calhoun asked if each category has the same thing that is being measured in order to find out how much to charge and if it is a mom and pop store or hospital, they will also be measured by the same calculations. Ms. Jacobs explained that measurements are based on a methodology in which the use is analyzed, the impact to the infrastructure. For a home it is calculated for the particular home size that the City has and the number of people that are in each home in the City. A Culvers as a drive through restaurant is going to have a different impact than another type of retail store, i.e., the candy store. They are different and there are different categories in the MUCTD. Mr. Bise stated that some fee schedules go through great detail and separate out drive through restaurants versus sit down restaurants versus high quality restaurants and they go into great detail about retail different sizes.

Mr. Bise stated that he does not believe that the City wants to go that way because first of all a lot of the ITE categories have old sample data, very small sample sizes for certain uses and so the City is better off treating retail restaurants as a category because they are all high trip generators and high pass by trips. The City is much better off treating them as one category and using the average because the average is cutting the mom and pop stores a break.

Mr. Bise stated that if the City had institutional uses previously, one of the questions would be why the City does not have it now. There are three issues at hand, one is how does the City want to treat institutional uses. Eliminate it as a category and go case by case; two, does the City want TischlerBise to show a little bit more detail in the fee schedule to show certain uses, i.e., churches, schools, hospitals, which may be institutional but also may be things like housing and a few other industrial uses that come through the door on a regular bases; and three, how does the City treat parks.

Mr. Bise stated that he thinks that what they have done is come up with a compromise. The issue of charging nonresidential for parks and recreation is something that they have not heard from the private sector in any of the meetings and he believes that they have struck a good

compromise, where they have taken out one component of parks, which is the paths, and moving it to streets where everybody pays, residential and commercial. The rest of the components for parks are the components that they are basically saying benefit residential development only.

Mayor Mueller asked if he wants to discuss the multi-use paths and moving them from parks to streets. Multi-use paths are considered a transportation asset and it makes sense. Council Member Gray agreed.

Council Member Calhoun asked about the benefit to making that change. Mayor Mueller stated that the benefit is that everybody on the schedule pays for streets as part of transportation.

Council Member Calhoun asked what the biggest reason not to do that. Ms. Jacobs presented Policy Decision Four and explained that the current fee for a single family unit would go from and the City has been at \$4,500 in the past; but it was reduced the last time around partly because the City had to take out some of the things that were no longer allowed by State Laws to be charged. The City could only charge for so much size of a park.

Ms. Jacobs stated that if this is the direction that the City is headed in, a single family home would go from \$3,845 to \$4,554, an increase of \$709 and there would be some changes, although not as big as it was under some of the other proposals. Commercial would be going from \$407 per square foot \$525 per square foot. Office from \$196 to \$221 and industrial from \$98 to \$140. Basically what is happening is that the increase is being attributed to a fair share of multi-use paths. The list that Mr. Bise presented that the fees are being charged for, it is pretty bare bones and there is nothing new in it except for streets and the way that the City calculated roads this year that was something different than was done before. This gives Council flexibility in the future. The calculations and growth predictions demonstrated that the City would expect to see an additional ten lane miles of additional infrastructure added to the community and that is all that has been added in this except for paying into the system for new growth share of the police station expansion, the fire station, the cove, which have already been done. There is nothing new, except for that and the multi-use paths and some signalization. Everything else is buy-in.

Council Member Mount stated that he was not present at the May 12th meeting and stated that he noticed that Policy Decisions One through Four include an increase in fees.

Council Member Mount asked if there is a Policy Decision Five that has no increase fees as an option. Mr. Bise stated that it is an option.

Mayor Mueller asked Council Member if there are any problems in moving multiuse paths into streets. Council Member Gray asked to hear from Parks and Public Works.

Ms. Flissar stated that she supports the idea of moving multiuse paths into streets because it makes sense especially when the City is moving away from putting sidewalks in conjunction with multi-use paths along streets. What has been seen is that given the choice between the two, there are several roadways with that setup, i.e., MLK and Avenida Cochise; you will see people on the multi-use paths. It has become a new standard along the arterial roadways and people appreciate the buffer.

Ms. Yarbrough stated that she concurs with Ms. Flissar.

Council Member Gray stated that she agrees with Mr. Bise and seen is a trend of cycles and people walking more so.

Mayor Mueller noted that there is a consensus.

Mayor Mueller stated that the other issue, Policy Decision Four, no parks component in nonresidential fees. Currently the City has parks component in residential and nonresidential.

Ms. Jacobs stated that it is being proposed. In the current fees it is just in the residential. This would essentially be keeping it the same.

Council Member Mount asked why fees are being raised as the City has raised sales tax. Ms. Jacobs stated that the reason that the City does development fees is due to a Council Policy decision that has been from 2007 moving forward and updating it every three years. The policy decision is that, "what portion of the City's infrastructure required for new growth belongs to those generating the new growth versus the responsibility of the existing tax payers"?

Council Member Mount stated that he understands what an impact fee is and asked if there has been any indication of additional housing sales or population growth because he has not seen any of that. Ms. Jacobs stated that based on a conservative projection of additional homes that the City also got input from the stakeholders, which is significantly less than what it was six years ago. The City continues to see some additional growth and hoping that it improves; but did not gloss over Pollyanna projections by any stretch of the imagination. The requirement for additional infrastructure is not based entirely based on population. One of the arguments that were heard years ago was that if half of the homes that are being constructed are people who are simply upgrading their home or moving from one part of town to another part, why they should pay for the development fee. The answer is that it is the location of the home, not the individual that is causing the need for the infrastructure. If they are moving to a new part of town, that means new roadways and the need for additional parks in the future.

Ms. Jacobs stated that they have scaled back significantly what the development fees have paid for and this is a policy decision by the Council whether or not to continue with development fees. Staff is moving forward under the same policy as in previous years, which is that new growth pays its fair share of required infrastructure expansion. It is solely on the Council to choose otherwise in which case it would be solely the responsibility of the City General Fund or Capital Improvements Fund to pay for that entire additional infrastructure.

Mayor Mueller noted that this may not generate a whole lot of revenue because of the economy.

Mayor Mueller stated that residential and parks were already in the calculations. Institutional uses need to be discussed. Mr. Bise stated that the other option was that the City include institutional in the schedule as it is now, which is high given that government office is being used as the prototype for that. The second option is to delete it from the schedule and do it on a case by case base. The third option is that the City include some institutional and expand the fee schedule instead of having a broad institutional category, there would just be hotel, commercial, office, school, church, daycare and industrial. Then any other institutional uses would be on a case by case basis.

In response to Council Member Gray, Mr. Bise explained that they are being charged per room now. A 20-room hotel and a 120-room hotel are paying the same fee. A fee payer in any category has the option to say they that there development is different and provide an

independent fee study backed by data which would then lead to the City either approving or denying it.

Council Member Ash asked about the value of adding additional categories under institutional. Mr. Bise purely stated that is because each community is different. Some like to see the run of the mill uses that come through the door on the schedule and so it is no surprise to anyone. Others want the flexibility.

Council Member Ash asked if having the additional delineations is helpful. Mayor Mueller stated that he agrees with her first comment, that if it is there and they have the option to come to appeal and say that it does not apply to them for certain reasons, Council still has the ability to still adjust; but he is not sure why they don't just have the industrial category listed and open for further adjudication.

Council Member Huisking stated that she is leaning toward that direction and take it on a case by case basis; but she would like to know if people know which ones are exempt. Ms. Jacobs stated that the only exemption that Council has by Ordinance is for bona fide affordable housing and there are no other exemptions and that is only for residential. The Council can choose not to charge development fees through a development agreement if there is some particular benefit. By State Law and City Ordinance, any exemption including the ones that the City gives up for affordable housing, the City has to make up the difference in the fund in order to make it whole.

Council Member Gray asked if the City is already doing it on a case by case or are people just accepting what is in the formula. Ms. Jacobs stated that it is the exception not the rule.

Ms. Jacobs stated that for the most part due to the wider group of categories it has been fairly easy to fit them in. Often times, it has been the staff that has said that it is not right and has initiated the review. Council Member Gray asked if it is the exception that they ask for a review.

Ms. Jacobs stated that this is for brand new construction, it is for additions, additional square footage onto a building and it is not for redevelopment. If somebody is going into the West End and they decide to buy a building and they are redoing it, there is absolutely no development fee. In fact, the City wants to clarify the language and if a new building goes up and it is no bigger than the footprint that was there, they would be provided a credit because the City wants to provide an incentive.

In response to Council Member Calhoun, Mr. Bise stated that the answer is all over the map because it is a new phenomena and the Institute of Transportation Engineers does not do a good job in defining the new uses and mixed use. Most of the IT samples are mostly suburban settings and they are 20-30 years old and so it so done on a case by case basis.

Council Member Calhoun stated that she wants to be open to those kinds of things and to be flexible. Mr. Bise provided examples of other communities with uses, i.e., a go cart facility, putt-putt golf, which don't fit nice and neatly into the retail category.

Council Member Mount asked if the City's ability to compete would be impacted in a competitive market space as the City is getting into economic development and trying to lure in potentially big box stores and cyber security firms, the engine that the City is trying to get, since the City has increased its development fees. Ms. Jacobs stated that there was significant conversation about that and that is why staff wants Council to discuss it and if the direction is

that Council does not want to see the fees increase, staff will take it back and rework the numbers. The City's job in hiring TischlerBise is that they need to have a methodology that the City can justify and this is it. If staff can change some of the variable on that, staff may be able to work it differently; but that was one of the reasons why staff looked at taking back out the recreation because staff felt that those fees had gone up too much and the City is trying to be competitive with economic development. Staff was less concerned about the increase in the hotel room because there is an inventory. The biggest concern was the commercial and office because this revision makes the office an insignificant increase in the grand scheme of things. Commercial is still an issue; but there is this careful balance between that fairness factor of should the new development pay for their fair share of whatever infrastructure would be needed versus the City making up the difference.

Ms. Jacobs stated that she is not going to tell Council that staff has all the right answers because Council Member Mount is correct. Those are absolutely all of the things that staff thought about and talked about with TischlerBise.

Council Member Mount stated that he is not questioning the validity of the survey; but the City has been hyping up the City's economic development capabilities and essentially what the City has done is frontloaded a tax, an additional \$1.18 per square foot on commercial space and he does not know if that makes the City more competitive when what the City is trying to do is lure more jobs in so that the City can get more people to buy more homes. Anything that is a threat to that progression to get the City back up on its feet is something that he thinks Council seriously needs to consider.

Council Member Calhoun stated that she wonders if that is a serious threat and only folks that deal with that commercial type property would be able to explain it to her between the City and the communities in the area.

Council Member Calhoun asked if folks would say that it is not worth paying that kind of money, \$5.25 per square foot. Mayor Mueller stated that is one of the things that Council needs to have additional information on, specifically local markets, Arizona markets as to what is the cost per square foot. Also what would the City's be with the additional \$1.18; but that is for the next discussion as today Council is to provide guidance to Mr. Bise. One of the things that he wants, if the City changes the categories and if the fees did not change, what the new schedule would look like to be able to compare.

Ms. Jacobs summarized what Council requested:

- Moving the multi-use path component to transportation;
- Not charge parks component to nonresidential;
- Evaluate restructure of what is being charged to keep the fees relatively.

Mayor Mueller stated that Council Member Mount makes a good point with new commercial construction. Council needs to know for their decision making process how much of an impact that \$1.18 is going to be on the region. If that puts the City out of the market that is one consideration, if it has little impact or no impact, Council needs to know that too.

Council Member Ash stated that in addition to the fee difference, it would be helpful to know how much that is anticipated to grow, what the market is actually would like for commercial buildings to get a holistic picture.

Mayor Mueller noted that projections in the current market and the small focus markets will be difficult.

In response to Council Member Calhoun, Ms. Jacobs stated that the institutional category would be taken out because it is scary and the City does not want to scare anyone away. An asterisk would be done saying that any institutional categories would have a special fee calculation based on use case by case.

Mr. Bise stated that Council Member Mount raises legitimate concerns and TischlerBise is involved in a lot of economic development work around the country and they have some ideas that can be shared with staff on setting criteria that if a development meets certain things then certain incentives may be granted. There are ways to get around it in order to make it more palatable legally without arbitrarily reducing fees.

Council Member Mount asked if it is possible to build in some sort of fee structure that scales with success or with growth. Mr. Bise stated that no because it is a fee and not a tax. The proportionality has to be met and that is the difference. A tax is purely for revenue raising and a fee has to show that nexus. It cannot be based on the success of the business or what the growth rate is.

Council Member Mount stated that it is with new development and asked if the fee can scale with how well the City is doing with businesses as the City sets its own rules. Ms. Jacobs stated that she wishes that the City could set its own rules on how fees are calculated; but the State law is so prescriptive in terms of the formula that a city has to use in order to make sure that it is a fair basis. If the goal is that the Council wants to keep them level at this point, staff can come back to Council with some of those options. That is absolutely doable; but staff cannot do it on an arbitrary basis as it is very specific.

Mr. Bise asked Council Member if what he is suggesting is to keep the fees at the current level today and if the City's growth rate is "X", the City would rack it them up to what the 100 percent would be or rack it up to the next level, which is called phasing and some jurisdictions do that. However, TischlerBise recommends against it because the city has to make up the money.

TischlerBise does this type of work all over the country, they do a lot of marketing analysis and work with home builders groups and by large, impact fees are not keeping businesses out of the market. There is a reason that businesses and residences want to locate in a community and it has to do with transportation network, job opportunities, quality of life, environment and because they would have to pay \$2,000 extra for a house or \$50,000 extra is not going to keep Lowe's or Wal-Mart out of Sierra Vista. Even if the City racks it down another 25 percent or kept them at the current level, in his opinion, it is not going to jump start anything.

Council Member Mount stated that it is a fair point; but he is at that point of, "do no more harm."

Mr. Bise stated that there are legitimate ways and what they want to guard against is equal protection law suits. A city cannot just arbitrarily wave fees for one use while charging 100 percent to another. There are some legitimate ways to incentivize to meet those because waivers are legal if meeting some sort of stated goal or policy in the plan, which has to do with transportation or affordable housing.

Ms. Jacobs stated that staff has received excellent guidance.

In response to Mayor Mueller, Ms. Jacobs stated that staff will be getting back together with TischlerBise to:

- Move the multi-use paths into the transportation fee;
- Continue to keep parks fee out of the nonresidential;
- Eliminate the institutional category;
- Evaluate ways that the City can incentivize or potentially reduce fees for economic growth; and
- Consider an option to keep fees as level as possible.

Mayor Mueller stated that Council needs one option that basically has no change. Ms. Jacobs stated that she cannot guarantee that it will be at exactly the same level; but it will be fairly close.

Mayor Mueller stated that Council needs to know specifically on commercial property the current rate per square foot for new construction to have comparative ideas.

In response to Mr. Bise, Mayor Mueller stated that Council will need to know what it costs per square foot for a commercial property and what other communities are charging.

3. Presentation on upcoming City-sponsored Youth Leadership Summit

Emily Scherrer stated that youth is an important aspect of the community and is probably not talked about enough and so she is present before Council to talk about Power Up.

Power Up is a teen leadership summit and it is coming to Sierra Vista at the end of February. It came about through the Youth Commission and they were so anticipatory and excited about their conference in Phoenix a few years ago and they talked about bringing something like that to the City. This way the students in the community could experience it and not just the six or eight students on the Youth Commission.

They put together an all day conference for junior and seniors in Sierra Vista and they will have to apply for it. There will be 25 juniors accepted and 25 seniors accepted. The Commission is working closely with Mr. Farmer at Buena High School so that those students accepted can have the day off of school. It is a full day of anything that can be encountered normally in a conference, i.e., breakout sessions, motivational speakers and luncheons.

Ms. Scherrer stated that it will be for 25 juniors accepted and 25 seniors and open to any school, not just Buena. The event will be marketed and on the web site. There will be an essay along with a couple of other questions to decipher who should go and the Commission wants it to be open to everybody. The Commission talked about teachers advising who should go or having it grade based but because there are so many people that would benefit from it and there may be students who do not have the grades that could benefit from it and that is why the spectrum is wide.

The event is for one day and the focus is on motivation, particularly towards education and bringing back ideas to community leadership. The purpose why juniors and seniors were chosen was because those are the youth gearing up for college. This is an opportunity for them to hang out with other leaders their age and from other areas, i.e., Tucson and Phoenix.

The summit includes breakout sessions, motivational speakers, and discussions on community involvement and at the end of the day there will be a public art project along with a \$1,000 scholarship opportunity.

Mayor Mueller asked about the scholarship opportunity. Ms. Scherrer stated that the scholarship opportunity will be based on an essay to get into the summit based on leadership. There will be a panel that will determine who wins the scholarship that will most likely be sponsored by the Sierra Vista Rotary Club.

Ms. Scherrer stated that conference will be on the City campus and most likely at the library with one of the breakout sessions at the police station that focuses on trust. In the afternoon there will be an instagram scavenger hunt which will take place on the City's campus. The Commission talks a lot about that and they want to bring that to Sierra Vista.

The conference is scheduled for February 25th and students are not skipping close as the Commission is working closely with educators to make sure that this day is an educational and a full day at school. This request came through the Youth Commission because youth involvement in the community is important. There is a nice scholarship opportunity for someone to go to college and it will also be very nice for the kids to interact with other students from different schools and to share ideas, motivating factors and their futures. The future is important and it is vital to them.

The afternoon focuses on what they can do for their community and one of the exercises is to choose an area or something in Sierra Vista that they feel is either lacking or that they would want to improve on and formulate a nonprofit or business plan to tackle that.

Ms. Scherrer provided the itinerary and stated that there are two speakers, Rachel Mann with Educators Rising and Thomas Barr with Local First Arizona. They are both highly recommended.

Ms. Scherrer stated that the Commission is also working with the Police Department, Cochise College and some artists from the Library and Leisure Services Program. Both local and out of area leaders are being used.

Council Member Huisking stated that it is great that the Rotary Club stepped up with the scholarship as that is a big incentive and asked if the person that wins the scholarship is notified by the end of the day. Ms. Scherrer stated that at the end of the day there will be a display of their art project and they are working on a motivational rap during lunch with the announcement of the winner at the end of the day.

Ms. Scherrer added that the Rotary sponsoring the scholarship is not 100 percent; but she is sure that they will come through as they do scholarships with them and it has not yet gone through the Charity Board.

Council Member Huisking asked if the public art project will be on permanent display. Ms. Scherrer stated that it will as they are going to work on mosaic tiles on which they will put together their future. After it dries they will be placed along the wall in the botanic garden at the library.

Council Member Calhoun stated that she truly likes the idea of the City sponsoring this for the youth which is a great plan and asked if it would be more practical to involve the sophomores for their use of what they lean in the community instead of the seniors since they will be leaving. Ms. Scherrer stated that it is an excellent point and that was something that Ms. Yarbrough and she talked about to the Youth Commission; but the Commission felt that it would be more beneficial to juniors and seniors as seniors are getting ready to embark on this journey and the afternoon is based on coming back and what they can give back to the

communities that they were born in. Also because of the scholarship opportunity and going to college. The Commission also felt that freshmen and sophomores were immature for the material.

Council Member Huisking added that there are people that are not necessarily going away and going to Cochise College and that does not preclude them from giving back to their community.

Mayor Mueller asked if any thought was given to reaching out to other schools and home schooled junior and seniors. Ms. Scherrer stated that completely and absolutely. There is a young man on the Commission that is a private school student and he is involved and the Commission wants to reach out to those students and that is why they did not go through teachers.

Mayor Mueller stated that he does not just want to rely on Buena as he would like to reach out to CAS and the other schools that have 11th and 12th graders so that they can be included.

Ms. Yarbrough stated that they will be reaching out to the other schools and they made sure to clear this event through the Unified School District because the majority of the students will come from there and then as they get applications from other schools or home schools, they will address that individually.

Council Member Huisking asked how and when it will be marketed. Ms. Scherrer stated that very soon and they are getting together the application, working on the sponsorship letter and will then go on the website in January and the mall. Social media will also be used to contact the schools.

Council Member Calhoun requested a follow-up report on the event and to have some of the students come before Council and share their experience.

4. Presentation of Preliminary Budget Calendar for FY 16/17

Mr. Potucek stated that as discussed last year during the budget process, staff is determined to begin the process earlier this year early and have already kicked that off with a meeting of the management team of the various departments. He has asked Ms. Weir to put together the schedule and process so that Council may see that first. There are no numbers yet; but will be beginning to put those together in January and there will also be a half day budget retreat.

Right now, he is working with the various departments on establishing a few of their budget priorities so that they can look through those when putting them and then share these with Council at the retreat.

Ms. Weir stated that they will work on preliminary revenue projections to have for Council in January; but they will not have a whole lot of information about projections related to the tax increase. Those projections will be finalized as the process continues; but then will be talking about priorities.

They are working with staff right now to generate some ideas and then they will come before Council during the retreat to talk about through a combination of strategic planning items that need to be fulfilled as well as priorities that Council has going into the New Year and staff priority legal mandates.

The departments will submit their budget and they will go through an internal review process with the department's directors, staff and City Manager's Office. They will go ahead and balance that recommended budget process so that those three steps, from submission to recommended budget will be a largely internal process. Then the first balanced recommended budget will go before Council to hold the series of one on one meeting and work sessions to start working through and fine tuning that budget.

They will go by the State deadlines and hopefully at least a month in advance is what staff is shooting for to have some extra time this come year to engage with tentative budget and passage of the final budget.

Ms. Weir stated that the Council retreat has a hard date of January 19th for half of a day and a large portion of that will be discussion of the priorities for the budget. By late March, the departments will have compiled their budget recommendation. The review process will happen in a series of meetings in April concurrently with the start of Council's work sessions where staff will go into more detail about the latest revenue projections and walk Council through the personnel budget issues, operation maintenance, capital and etc.

Council should have that recommended budget book for review by the end of May, a good several weeks before they had it last summer. This will give Council another month for work sessions.

Council Mount stated that he thinks that they should really have a good grip on the strategic objectives that Council outlined at the beginning of the year and get an idea of how far they are in the progress of those because those are things that Council did actually have consensus on. Then they need to figure out, only have one more year left, to go back through the process since it is every two years.

Council Member Mount stated that he realizes that they will not be able to get them all done; but if they are going to get anything done, Council has to align the budget to meet those objectives or else they are wasting time and money doing the whole strategic process.

Ms. Weir stated that it is exactly the line of thinking that they are working with and by the end of January; Council will have the six month progress report of the Strategic Plan by the retreat. There are four progress categories whether it is complete, on hold, progressing as it should be, ahead of schedule or behind schedule. Staff will continue to provide those updates as well as a part of what staff is looking at right now. They are looking at what are strategic planning items and objectives that may not currently have funding associated with them, that they will offer for Council's consideration to place more resources to get them done within the that two-year timeframe so that Council can make those decisions.

Council Member Mount asked if Council could also get an update from city management on how we go about preventing what happened in the last budget and it does not have to happen now, it can happen at the retreat. Mr. Potucek stated that it depends on what he is exactly asking for, i.e., in terms of timing.

Council Member Mount stated that it is not timing, he is referring to the final stretch where everyone is hashing it out and a department head stands up and says "bam"! Mr. Potucek stated that it is not going to happen.

Council Member Calhoun stated that along those lines, she understand that the retreat will be about budget; but maybe they need more time to look at the strategic plan and do a mini readjustment if needed.

Mayor Mueller stated that what he hears Ms. Weir stating is that as they have that information and they are looking at what is funded and not funded, Council will have to come to some type of consensus on what is practical on doing this year and what may have to wait until next year. Essentially what Council Member Calhoun is suggesting is what will have to be done during the process.

Council Member Calhoun stated that she was looking at it being a part of the retreat.

Mr. Potucek stated that the goal as Ms. Weir alluded to, is to first identify the strategic planning goals and determine whether financial resources are needed for those and that will be the first priority. They will go through the departmental priorities and the City Manager's office priorities and present those to Council. Council will have all of those basic items that they are going to try to fund within next year's budget as a part of the process. Council also asked him to look into his crystal ball and see what may be lying ahead for the City for the next three to five years and he will as part of that perspective as well. There will be some discussion of the Strategic Plan items included in the retreat.

Council Member Calhoun stated that she wonders if four hours is enough. Mr. Potucek concurred; but staff will try their best to fit it in.

Council Member Calhoun made the comment that ever since the CAC process, she has been jealous of the fact that they had department heads come in and present to them and she would like to have that be a part of the budgetary process. Mr. Potucek stated that he does not have any issues during that meeting because they are the ones that are identifying their priorities. Ultimately when getting into the balancing process, there is never enough resources to meet everything that they want to do and that is where he has to make the call on terms of what is going to be presented to Council in terms of final recommendation.

Council Member Calhoun asked if that is going to occur during the retreat. Mr. Potucek stated that yes because they are narrowing them down to three to five priorities so it is not going to be a long list. These are major initiatives that may take more than one year to implement.

Council Member Mount stated that he does not agree to do that because there are department heads that are running departments and he does not want them to have to take part of their day to come and brief Council because they are already going to go internally to do some of these processes anyway. He would much rather have them at their jobs doing great work than giving him a one on one.

In response to Mayor Mueller, Mr. Potucek stated that he does not have an issue with them being present as he thinks that it is important for them to hear the discussion and have them share as it is only at the retreat.

Council Member Mount stated that he agrees that they be present at the retreat; but he does not want them to be at staggered sessions like was done with the CAC. Mayor Mueller agreed.

Council Member Gray stated that she disagrees with that as she believes that it is good to hear from the department heads because these are the people that are in the weeds and she does enjoy hearing from them.

Mayor Mueller stated that his understanding is that during the four hours they will be present and they will be able to brief Council on their specific priorities and he personally thinks that it is adequate. He does not believe that another session where they are pulled in is needed. Council Member Gray agreed with that but added that it is nice for all Council Members to have all of the information and she is not suggesting that other sessions be held with the department heads.

Mayor Mueller stated that there is an agreement to have all of the department heads at the retreat. Mr. Potucek stated that it would be a good opportunity to get guidance from the Council in terms of how they feel about those priorities.

In response to Council Member Huisking, Ms. Weir stated that the budget process slides will post them in the reading room and once there are specific dates, she will make those available.

Council Member Ash thanked staff for addressing last year's concerns during the budget work session and doing the best that they can so that Council is fully prepared.

Mr. Potucek stated that from the standpoint of timing, staff and Council should be able to finish well ahead of last year and there will not be a CAC process running concurrently and they are not talking about tax increases. He believes that it will be a much smoother process.

5. Adjourn

Mayor Mueller adjourned the work session at 4:52 p.m.

Mayor Frederick W. Mueller

Minutes prepared by:

Attest:

Maria G. Marsh, Deputy City Clerk

Jill Adams, City Clerk