

**CITY OF KINGMAN
MEETING OF THE COMMON COUNCIL
Kingman Police Department
2730 E. Andy Devine Avenue**

3:30 P.M.

MINUTES

Thursday, January 7, 2016

WORK SESSION MEETING OF THE COMMON COUNCIL

Mayor: Richard Anderson; **Vice-Mayor:** Carole Young; **Council:** Mark Abram, Larry Carver, Kenneth Dean, Jen Miles, Stuart Yocum

Officers: John Dougherty, City Manager; Carl Cooper, City Attorney; Tina Moline, Finance Director; Sydney Muhle, City Clerk; Erin Roper, Deputy City Clerk and Recording Secretary

ALL WORK-SESSION ITEMS LISTED ARE FOR DISCUSSION ONLY. NO ACTION CAN OR WILL BE TAKEN. The primary purpose of work session meetings is to provide the City Council with the opportunity for in-depth discussion and study of specific subjects. Public comment is not provided for on the Agenda and may be made only as approved by consensus of the Council. In appropriate circumstances, a brief presentation may be permitted by a member of the public or another interested party on an Agenda item if invited by the Mayor or City Manager to do so. The Mayor may limit or end the time for such presentations.

**CALL TO ORDER & ROLL CALL
PLEDGE OF ALLIGENCE**

Mayor Anderson called the meeting to order at 3:43 P.M. All councilmembers were present except for Councilmember Yocum, who was absent. The Pledge of Allegiance was said in unison.

1. Discussion and Direction Regarding Plans for the annual July Fourth celebrations

Staff is seeking direction from Council regarding planning for the City of Kingman's annual July Fourth celebrations and whether to pursue plans for a fireworks show or a community block party.

Mayor Anderson asked if there were any objections to allowing a woman from Valle Vista to speak on the July Fourth celebrations topic. There were no objections.

Councilmember Yocum arrived at 3:45 P.M.

Valle Vista resident Judy Landells asked the Council to consider a joint July Fourth celebration between the City of Kingman and Valle Vista. Ms. Landells stated Valle Vista had a safe location for fireworks, would provide activities, food, music, security and fireworks. Ms. Landells stated transportation was available to bring Kingman residents to Valle Vista for the day.

Mayor Anderson asked Ms. Landells to leave her contact information.

City Manager John Dougherty asked the Council to decide between budgeting for fireworks or a block party. Mr. Dougherty stated the block party was a success, though there probably would have been a larger crowd for fireworks. Mr. Dougherty stated working with Valle Vista was also an option.

Vice-Mayor Young stated Centennial Park was the best place for a block party and asked if there were any events scheduled in the park.

Mr. Dougherty stated he did not know the tournament schedule.

Councilmember Abram stated the block party was a good community building event and it was important to hold one even if fireworks were added.

Councilmember Miles agreed the block party provided more opportunity for interaction in the community and stated there were ways to be festive without fireworks.

Councilmember Dean agreed the block party was a good idea.

Councilmember Yocum stated he liked the block party, but also liked fireworks. Councilmember Yocum stated there was a lot of disappointment when the fireworks were cancelled. Councilmember Yocum stated the City should contribute to the Valle Vista fireworks in order to give people the option of both events.

Councilmember Carver stated he was persuaded to push for fireworks.

Mayor Anderson stated the general direction was a block party as well as communicating with Valle Vista to decide if the City wanted to be a part of the fireworks celebration.

Councilmember Yocum stated the block party should be an even bigger success than last year since there would be more time to plan it.

Vice-Mayor Young stated Mr. Dougherty, Staff, and volunteers did a superb job last year with the block party.

Mr. Dougherty stated he followed the direction of event coordinator Dora Manley and she deserved the credit.

City Clerk Sydney Muhle stated the final presentation for the July Fourth celebration would be given during the budget work session.

2. Discussion of Regarding the 2016 Property Tax Election

The Council will discuss the options for a potential levy amount to pursue in the May 2016 Election which the Council directed staff to proceed with at the December 15, 2015, Regular Meeting. This item is for planning purposes only. The final proposed levy amount will be voted on by the Council at the January 19, 2016, Regular Meeting.

Finance Director Tina Moline displayed slides for the Council, which are included at the end of this report. On slide one Ms. Moline stated the majority of the information in the presentation was provided at the October, 2015 meeting. Slide two displayed the current General Fund structure adopted in Fiscal Year (FY) 2016. Ms. Moline stated 54% was generated from the 2.5% Transaction Privilege Tax (TPT). Ms. Moline stated the second largest contributor was state shared revenues and 34% was related to state sales tax. Ms. Moline stated 64% of the General Fund structure was driven by the economy, which was why a property tax was more reliable and stable than a sales tax. Ms. Moline reviewed the information on slide three. Ms. Moline stated the Council could reduce the amount of tax levied in a particular year. Ms. Moline stated the Council needed to remember there would be a 10% delinquency rate that would reduce the amount of money going into City coffers. On slide four Ms. Moline stated the illustration on the slide shifted the FY 2017-2019

monies from sales tax to a property tax line item. Ms. Moline stated this was done with the assumption that the property tax would replace the expiring 0.5% TPT in FY 2016, not FY 2017. Ms. Moline stated she projected a 2% increase in overall revenues and a 2.9% increase in total expenditures, which would create a larger gap between revenue and expenditures as the years progressed and a decrease in the General Fund balance. Ms. Moline stated the estimates were for replacing the TPT and not generating any further revenue. Ms. Moline stated the City was required to maintain a 25% balance in the General Fund. On slide five Ms. Moline stated public safety was a large portion of the operating budget and it included a component the City could not control, which was public safety retirement contributions. Ms. Moline stated the City was mandated to contribute to the system and there would be another mandatory increase in contributions totaling approximately \$200,000. On slide six Ms. Moline stated the next three slides were discussed in November, 2015 and divided the priorities into budgeted expenses and capital improvement projects. Ms. Moline reviewed slides six, seven and eight. On slide nine Ms. Moline stated there was a lot of discussion about other departments' capital improvement projects, which were included on the slide. Ms. Moline stated the City did not have the funding for all the projects and could not begin to require it, but the data showed the bevy of priorities. On slide 10 Ms. Moline stated there were five different scenarios that showed how different levy amounts would impact property owners. Ms. Moline stated there were historical assessed property values at the bottom of the slide.

Mayor Anderson stated the City generated \$14.5 million dollars in revenue with the 2.5% TPT with \$2.9 million due to the 0.5% TPT. Mayor Anderson stated the City budgeted for \$14.1 million this year, though whether it would hit that mark was unknown. Mayor Anderson stated 200 residential building permits were issued in the last 12 months, which could increase if jobs in the area increased. Mayor Anderson stated the basic history for retail in the area showed that many people were shopping online instead of in the City limits and the City needed to attract the type of retail options people would be willing to buy locally. Mayor Anderson stated large online retailers were driving small business out and the trend reinforced the need to find a stable revenue source for the City. Mayor Anderson stated people wanted to know what their taxes would be going towards and the Council needed to do a better job selling the property tax in order to have it passed by voters.

Councilmember Miles stated the continuing deficit in the General Fund meant the property tax would not improve the City's financial situation. Councilmember Miles stated the projects would increase the City's debt and hurt its credit. Councilmember Miles stated she would not be able to sell a property tax that did not solve any problems. Councilmember Miles stated she understood the estimates were conservative, but it would leave the City in the red by FY 2019. Councilmember Miles stated the Council would not have created a good budget until the finances looked solid for five years. Councilmember Miles stated transparency and fiscal health were very important and in order to sell a property tax to the community it needed to benefit something they were willing to pay for. Councilmember Miles stated she could not support the proposed property tax and did not think the public was ready to support it.

Councilmember Dean stated the public input he received pointed to a lack of support. Councilmember Dean stated the public felt that the 0.5% TPT they paid now was not very noticeable. Councilmember Dean stated the public would not support a property tax and the Council needed more time to provide information and a plan for the collected funds.

Vice-Mayor Young stated the City needed a strategic plan. Vice-Mayor Young stated many people understood the property tax would help construct a new fire station and other improvements, but just replacing the expiring 0.5% TPT did not accomplish enough. Vice-Mayor Young asked if the City could charge a tax on services as people seemed more receptive to a service tax.

Ms. Moline stated labor was exempt in the City Tax Code.

Vice-Mayor Young asked if it could be changed.

Ms. Moline stated it could possibly be changed.

Councilmember Carver stated a tax on services would shift the dynamic of business.

Councilmember Dean asked if it would drive people to businesses located in Mohave County.

Councilmember Abram stated the biggest concern was making sure people understood they would be taxed on the assessed value of their property, not the retail value of their home. Councilmember Abram stated the estimate would be \$14 per month on a property assessed at \$100,000. Councilmember Abram stated a person would have to spend \$2,800 in goods per month to make up that cost in sales tax. Councilmember Abram stated this was a worse deal for homeowners, but it would be less than Mohave County property tax. Councilmember Abram stated he liked that the rate would be less than Mohave County, but the City would probably have to increase sales tax as well.

Councilmember Dean stated that was true unless the City cut some spending.

Mayor Anderson stated Interstate 40 (I-40) and Interstate 11 (I-11) were in commerce corridors that would eventually grow. Mayor Anderson stated the City would not be able to annex property without a property tax, which would prevent the City from becoming a larger economic force in the state of Arizona.

Councilmember Abram stated using a property tax for public safety would be similar to the Mohave County fire districts.

Councilmember Miles stated 50% of the General Fund was already spent on public safety, which meant a property tax would not increase services to the public. Councilmember Miles stated the public would not see any noticeable differences in services and in order to levy a larger amount the Council need to demonstrate the benefit. Councilmember Abram stated the City needed to determine foundation projects, a strategic plan, a budget, and a marketing initiative that united the City and the community. Councilmember Miles stated the community would be brought into a vision they are willing to pay for that consisted of conceptualized goals and the dollar amounts needed to pay for them.

Councilmember Dean stated the public needed more details, not just a broad promise of better fire and police service.

Mayor Anderson stated the Council needed the support of local businesses and realtors. Mayor Anderson stated the City ran the risk of becoming a suburb of Golden Valley even though Kingman had a lot more services to offer. Mayor Anderson stated he believed Kingman Regional Medical Center (KRMC) would support the property tax, but the Council needed other partners. Mayor Anderson stated he was not sure if the Council would have the time to secure necessary partnerships.

Councilmember Miles stated she did not think the Council could accomplish it. Councilmember Miles stated her priority list included a professional services contract to coordinate efforts with all the entities Mayor Anderson listed in order to create a vision and foundation for the future.

Councilmember Carver stated the Council needed to remember that Staff was directed to come up with the presented scenario of replacing the expiring 0.5% TPT. Councilmember Carver stated he wanted to levy \$6 million. Councilmember Carver stated the Council needed to consider roads, water and sewer service in

addition to public safety. Councilmember Carver stated the City had 15 miles of unpaved roads and well maintained roads would be one of the benefits citizens would get for their money. Councilmember Carver stated the City needed to keep its infrastructure upgraded for traffic or it would not need police and fire services because it would become part of Golden Valley. Councilmember Carver stated no one wanted to pass a tax, but for the past 30 years people were blessed to not pay for the services they received. Councilmember Carver stated the City would have to cut services if it did not have a revenue source and that was not a threat, but a reality. Councilmember Carver stated the City was behind on road maintenance and other services. Councilmember Carver stated he did not want to pay any more money, but he was willing to pay for his town. Councilmember Carver stated he believed there was a property tax exclusion for those facing severe financial hardship. Councilmember Carver stated emergency services were not in place for the visiting public, but the residents. Councilmember Carver stated the residents needed to maintain their town. Councilmember Carver stated travelers researched tax rates and scheduled extensive stops in areas with lower tax rates. Councilmember Carver stated people told the Council they would take their business out of town or online when the sales tax was increased. Councilmember Carver stated people currently paid for services they may not use; for example, people without children in school that paid taxes to support the schools. Councilmember Carver stated the Council could not change a person's vision of what a tax was, but they could ask an individual to examine what services they received for their money. Councilmember Carver stated he hated strategic plans as they did nothing other than sit on a shelf.

Councilmember Miles asked how the Council would assure the community that the money would be used on roads. Councilmember Miles stated she knew the results of people coming together on a plan and vision. Councilmember Miles agreed that \$3 million would not advance the City's goals, but doubling the amount would take a lot of selling.

Vice-Mayor Young asked if the property tax would go into the General Fund and whether it could be used for water or sewer services.

Ms. Moline stated the funds would go into the General Fund and it was possible to do an inter-fund transfer in order to have the money to make improvements.

Mr. Dougherty stated it was possible to transfer money into, but not out of, an enterprise fund.

Councilmember Dean asked what percentage of Kingman households were considered "fixed income." Councilmember Dean stated many people in Kingman could not afford a property tax no matter what they got out of it.

Vice-Mayor Young stated a property owner could deduct property tax from income tax.

Councilmember Carver stated low income earners were most likely not itemizing and there was a form they could fill out for the property tax exclusion benefit.

Councilmember Miles stated many people wanted to retain the 0.5% TPT.

Vice-Mayor Young stated she did not think the Council would succeed in passing a \$6 million levy.

Councilmember Abram stated the City's property tax rate should not be higher than Mohave County's rate.

Mayor Anderson stated it took a catastrophe for people to realize what services they needed, but the Council should not let it get to that point.

Councilmember Yocum stated the only supporters of the property tax were former elected officials and most people did not understand how important the tax was.

Vice-Mayor Young stated people on the east side of the City realized it was important because they wanted a fire station, but others, especially those on a fixed income, did not.

Councilmember Yocum stated the City needed the stability of the property tax and could not continue barely staying afloat financially.

Vice-Mayor Young stated many of the people she spoke with supported the property tax, especially business owners who did not want to see the sales tax increase. Vice-Mayor Young stated high sales tax drove people outside the City limits, especially for big ticket items.

Councilmember Dean asked if the City sales tax was lower than Lake Havasu City and Bullhead City.

Ms. Moline stated Lake Havasu City and Bullhead City were at 2%, which was lower.

Councilmember Miles stated the timing was not good to ask for a property tax. Councilmember Miles stated the City needed to demonstrate it could handle the money. Councilmember Miles stated the City may need to hire a professional services consultant to review job descriptions and processes and provide an objective opinion of Finance Department operations.

Mr. Dougherty stated he and Ms. Moline were working on that issue and would report on it at a later date. Mr. Dougherty stated the City could implement a food tax or gas tax if the property tax did not pass. Mr. Dougherty stated every department has been cut back except public safety and cutting back in that area would be noticeable to everyone.

Councilmember Miles stated she did not want to sell a tax based on fear. Councilmember Miles stated people responded better to positive spins and opportunity.

Vice-Mayor Young stated the mandatory public safety contributions severely hurt the City and the public did not understand that issue.

Mr. Dougherty stated the firefighters also did not understand it and they did not understand how much more money they received than the average employee.

Councilmember Miles stated she was not sure the City could implement a gas tax.

City Attorney Carl Cooper stated he would need to research whether the City could implement a gas tax.

Mayor Anderson stated Coconino County and Flagstaff split a 1% gas tax.

Mr. Cooper stated it was a transportation excise tax, which counties had the authority to enact; however, cities did not have the power to enact one.

Mayor Anderson asked Mr. Cooper to find out how Coconino County and Flagstaff arranged the 1% split.

Ms. Muhle reviewed the property tax timeline, which is included at the end of this report.

Mayor Anderson stated the City should retain the 0.5% and try for a \$3 million property tax.

Mr. Cooper stated the City could only provide factual information and could not provide pros or cons for the property tax. Mr. Cooper stated the Council must sell the property tax and the City could not provide any resources for councilmembers to use.

Vice-Mayor Young stated the Council needed to be consistent and use the same materials.

Mayor Anderson stated he was meeting with the Kingman-Golden Valley Association of Realtors and would ask Staff to forward the materials he created and paid for to the other councilmembers.

Councilmember Abram stated the Council should levy \$4 million, which would be 20% less than Mohave County taxes. Councilmember Abram stated the City would need to increase revenue by bringing in more businesses or cut spending by 10% to achieve a break even budget with the \$4 million levy.

Councilmember Carver stated a balanced budget would not accomplish the goals set for improving roads, sewer, and fire stations.

Councilmember Abram stated the Council needed to push economic development.

Councilmember Dean stated the City would need to trim spending and there was always a way to do that.

Mr. Dougherty stated the City could always cut services, but the constituents depended on the services. Mr. Dougherty stated an example of an option was to cut funding in the Development Services Department, which would lead to fewer inspectors and delays in permit review.

Councilmember Miles stated there were measures the Council could take without a vote, such as implementing a food tax. Councilmember Miles stated the Council could take temporary measures to allow enough time to create something meaningful to sell to the public.

Councilmember Carver stated the Council could tax its citizenship without their input or it could go to the people and ask for a property tax, which could be temporary as it was removed in 1980. Councilmember Carver stated people had a negative attitude and were resistant to pay for the services they were using.

Vice-Mayor Young stated the City made major cuts in the budget since 2008.

Ms. Moline stated the City was very conservative in its budget numbers in order to have the fund balance to cover any overage. Ms. Moline stated the City did not typically exceed revenues.

Councilmember Dean stated the information in the presentation was probably the worst case scenario.

Mr. Dougherty stated the City would never let it get to that point as something would be done before that level.

Councilmember Miles stated she would not vote to extend the sales tax in 2017 as she made a pledge to the people. Councilmember Miles stated the sales tax rate was higher than Bullhead City and Lake Havasu City and Kingman needed to be competitive with those cities. Councilmember Miles stated she could not support a \$3 million property tax levy because it would not improve the City's finances.

Vice-Mayor Young stated the property tax was the only option for a permanent revenue source and if it was voted down the Council would need to examine a food tax.

Mayor Anderson stated the City's sales tax was higher, but the other communities were paying additional taxes and fees for services. Mayor Anderson asked if the councilmembers would support a levy of \$4 million.

Councilmember Yocum stated he would support \$4.5 million.

Councilmember Carver stated the amount should be \$6 million, but the Council needed to be unified in the decision. Councilmember Carver stated there was no point in spending the money on the election if the Council was not unified.

Ms. Moline stated a property tax levy amount of close to \$6 million was placed before the voters in 2003.

Ms. Muhle stated she could provide a canvass of the 2003 vote at the January 19, 2016 Regular meeting.

Councilmember Dean stated the City needed the revenue, but he did not think the voters would approve a property tax. Councilmember Dean stated he did not want to waste the money on the election and felt the timing was poor.

Councilmember Carver stated pursuing a property tax was not worth it if even one councilmember did not support it, which meant Staff would need to look at other options.

Councilmember Miles stated the amount needed to be determined before she would support it. Councilmember Miles stated the City needed a property tax, but she did not think she could sell it at this time.

Ms. Moline stated the Council needed to remember the 10% delinquency rate, which would make the total levy amount \$6.7 million in order to receive \$6 million.

Councilmember Abram stated that levy amount would place the City's rate at approximately \$1.00 more than Mohave County. Councilmember Abram stated the City rate needed to stay under Mohave County's rate in order to be able to sell the idea to the voters. Councilmember Abram stated the business owners supported the property tax event though they would pay more money due to the higher value of commercial property. Councilmember Abram stated people could move out of the City, but in Mohave County they would pay for services such as fire districts.

Mayor Anderson asked if there were any councilmembers who would not support a levy of \$5 million.

Councilmember Abram stated he would not as it would put the City rate at \$2.80 higher than Mohave County.

Councilmember Dean asked if the majority of the Council was willing to risk money on the election because he did not think a property tax would pass.

Mayor Anderson stated the Council needed to decide what a levy of \$4.5 million would represent in services to the community.

Councilmember Miles stated the Council needed another meeting to accomplish that.

Councilmember Yocum stated he did not want to have another work session where the Council beat around the bush.

Councilmember Carver stated the Council needed to focus on the long term, not short term. Councilmember Carver stated the City would be stuck with the levy amount and would not be able to increase it if needed.

Mayor Anderson stated the Council would not be able to convince people that the City would assess less than the levy amount.

Councilmember Carver stated he would not tell the citizens the City would assess less.

Councilmember Abram stated he would support \$6 million if the Council decided to try for that amount, but he believed \$4.5 million was an easier message.

Councilmember Dean asked if the councilmembers were confident they could convince the citizens the tax was needed.

Councilmember Carver stated he was confident the Council could show that the City needed the tax, but could not guarantee the citizens would vote for it.

Mayor Anderson stated the property tax would pass with 50% of the vote plus one. Mayor Anderson asked if the Council could agree on supporting \$4.5 million.

Councilmember Miles stated she would not go any higher as it would have a huge impact on people. Councilmember Miles stated the Council would need to look at other sources as \$4.5 million would not result in enough revenue.

Vice-Mayor Young stated she agreed with Councilmember Carver that the Council needed to look at the long term picture. Vice-Mayor Young stated the Council would need to increase sales tax or implement a food tax and the citizens would ask why when a property tax had also been established.

Councilmember Dean stated he did not think the property tax would pass and wanted an amount of less than \$4.5 million.

Councilmember Miles stated she was torn between \$4.5 million and \$6 million.

Ms. Moline stated she could provide scenarios for both amounts at the January 19, 2016.

Councilmember Miles asked if the Council could forward their ideas for the use of the property tax to Mr. Dougherty.

Ms. Muhle stated the Council could have another work session to address goal setting later in the month.

Councilmember Miles stated the ideas could be used to support the idea of a property tax.

Mr. Dougherty stated the Council would not be able to ask for a property tax for another two years if it did not ask in the May, 2016 election.

Vice-Mayor Young stated she felt it would pass as the majority of voters were in the east bench of the City and they wanted the property tax in order to improve fire response.

3. Council Planning and Goal Setting Session

Discussion and/or Direction for the City Manager

The Council did not address this topic.

4. Set FY2015-16 Preliminary Budget Calendar

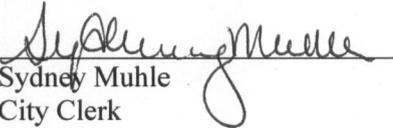
In anticipation of the budget meetings resulting in the final adoption of the budget in June, 2016, staff requests that Council confirm the dates of availability for the upcoming budget workshops and meetings. A pre-budget priorities work session in mid-march followed by a budget work session in May are suggested. Additional work session or agenda items can be scheduled if needed. This item is to check availability only. Final dates for these meetings will be set at the January 19, 2015 meeting. **Staff recommends Council discuss budget process expectations and set the preliminary budget calendar.**

Mayor Anderson asked if there were any objections to the primary budget calendar. There were no objections.

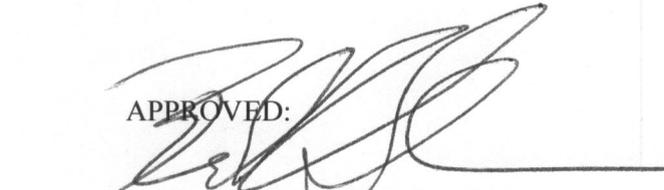
Councilmember Abram made a MOTION to ADJOURN. Vice-Mayor Young SECONDED and it was APPROVED by a vote of 7-0.

ADJOURNMENT – 5:45 P.M.

ATTEST:


Sydney Muhle
City Clerk

APPROVED:

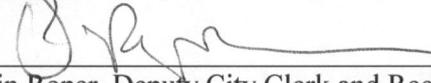

Richard Anderson
Mayor

STATE OF ARIZONA)
COUNTY OF MOHAVE)ss:
CITY OF KINGMAN)

CERTIFICATE OF COUNCIL MINUTES

I, Erin Roper, Deputy City Clerk and Recording Secretary of the City of Kingman, Arizona, hereby certify that the foregoing Minutes are a true and correct copy of the Minutes of the Work Session Meeting of the Common Council of the City of Kingman held on January 7, 2016.

Dated this 2nd day of February, 2016.


Erin Roper, Deputy City Clerk and Recording Secretary



Timeline for Primary Property Tax Election

- January 19, 2016:** Council must adopt a final levy amount to seek at the May Election. This amount will be included with the resolution to call the election.
- February 2, 2016:** Council must approve a resolution to call the election including the amount of money to be raised by this tax in the first year it is imposed.
- February 16, 2016:** Council must adopt Publicity Pamphlet language to be sent to the printer. All arguments for and against this ballot measure must be submitted by **February 17, 2016**.
- May 17, 2016:** The election will take place the 3rd Tuesday in May.
- May 27, 2016:** Council will canvass the election.

REVISED Property Tax Revenue Collection Timeline

- August 2016** Final property valuations are set and the City's tax rate will be included on the upcoming tax bill (ARS 42-17056C "If a majority of the qualified electors voting approve the proposed levy amount for primary property taxes, the levy applicable....for the **next fiscal year** shall be an amount not exceeding the approved amount").
- September 2016** Property tax bills are mailed
- October 2016** 1st half of the property tax bills are due to the County
- December 2016** 1st half of the property tax collections to be received by the City