



Thursday, May 11, 2023, 8:00 a.m.

**OFFICE OF THE COCONINO COUNTY BOARD OF SUPERVISORS AND
THE BOARD OF DIRECTORS OF THE FLOOD CONTROL DISTRICT**

SPECIAL SESSION AND EXECUTIVE SESSION MINUTES

**In Person at Highlands Fire Station
3350 Old Munds Highway, Flagstaff (Mountaineer), AZ 86005**

Present: Chair Patrice Horstman, Vice Chair Jeronimo Vasquez, Supervisor Judy Begay and Supervisor Lena Fowler were present in-person and Supervisor Matt Ryan was present virtually via Teams.

Also Present: County Manager Steve Peru, Deputy County Manager Sue Brown, Deputy County Manager Andy Bertelsen, Finance Director Siri Mullaney, Human Resources Director Erika Philpot, Budget Analyst Erin Beckett, Budget Analyst Chris Bringard, Special Assistant to the County Manager Corey Ringenberg, and Clerk of the Board of Supervisors Lindsay Daley were present in-person.

Call to Order: Chair Horstman called the meeting to order at 8:11 a.m. The Supervisors introduced themselves.

Flood Control District Action Item:

1. Consideration and possible action to approve Amendment #2 to CMAR 2023-107, Construction Manager at Risk (CMAR), Wupatki Trails & Brandis Flood Mitigation Project. Amendment #2 provides for Phase 1 Construction Services for the construction of the Wupatki Trails Channel, Phase 1 for a total Guaranteed Maximum Price of \$4,877,586.41. Seventy-five percent (75%) of construction cost will be reimbursed through the USDA, Natural Resources Conservation Service, Emergency Watershed Protection Program Agreement, Pipeline Fire 220-Day EWP #5090, NRCS Agreement No. NR239457XXXXC001. The District is *responsible for the twenty-five (25%) match, which is reimbursable through the Arizona Department of Forestry and Fire Management.*

Chair Horstman asked for a motion to resolve as the Flood Control District Board of Director.

Motion: So moved, **Action:** approve, **Moved by:** Supervisor Lena Fowler, **Seconded by:** Vice Chair Jeronimo Vasquez. The motion passed unanimously.

Deputy County Manager/Flood Control District Administrator Lucinda Andreani spoke regarding the item and explained the cost for the project related to the agreement and the project itself.

Chair Horstman read the agenda title of the item asked if there is a motion to approve. Vice Chair Jeronimo Vasquez states “so moved.”

Motion: So moved, **Action:** approve, **Moved by:** Vice Chair Jeronimo Vasquez, **Seconded by:** Supervisor Lena Fowler. The motion passed unanimously.

Chair Horstman asked for a motion to resolve as the Board of Supervisors.

Motion: So moved, **Action:** approve, **Moved by:** Supervisor Judy Begay, **Seconded by:** Vice Chair Jeronimo Vasquez. The motion passed unanimously.

Discussion Item:

2. FY24 Budget Presentation and Discussion

County Manager Peru stated that the County Attorney’s Office is on their way as the Board expressed their desire to have an executive session under item #2 to get legal advice regarding the expenditure limit for the county that will impact FY24. County Manager Peru stated that the state finished their budget yesterday. He also presented his powerpoint “Budget Wrap Up” and listed the proposed budget bills or packages for the county that have been presented to the Board but that they will go back over:

- Proposed balanced budget – conforms with 10-year budget outlook
- Compensation plan proposal
- 10% CPI adjustments – one time funding
- Department budget requests/increment requests
- Department follow up on services or policies not necessarily tied to budget
- Expenditure limit budget management – capital financing, executive session (advice from attorney), call for election in 2024
- Outside agency/partnership funding – 10% CPI (unless membership is involved)

Upon a question from Chair Horstman, Deputy Manager Sue brown stated that there was a 5% CPI adjustment last year. County Manager Peru stated the compensation plan calls for a 2.5% increase this year. Finance Director Siri Mullaney stated that it is not 10% on top of the 5%. Supervisor Judy Begay asked if there were alternatives to that in case the Board does not go with the 2.5% and County Manager Peru answered that the 2.5% goes with the plan and the Board can adjust the percent, and that the staff recommendation is the 2.5%. Chair Horstman stated she recalls there were three options for compensation and one of them was a bump for the lower grades. Human Resources Director Erika Philpot stated all the options are on a 2.5% increase and then explained those options.

Chair Horstman asked that staff follow-up on the community wildfire defense program funding. Deputy Manager sue Brown answered that they can talk about the when they talk about the department budget requests. Supervisor Begay asked for an organizational chart of the County Manager’s Office and job descriptions that go with those positions. Chair Horstman stated that some positions are American Rescue Plan Act (ARPA) funded positions and that it would be good to go through those positions.

Finance Director Siri Mullaney stated that she gave them a capital plan handout with more detail and prioritized it and the number for the capital plan is still \$80 million with Public Works being \$58 million of that. Chair Horstman asked if the FY23 Public Works capital projects were already approved and Director Mullaney stated yes, through the budget or budget adjustments throughout the year. Director Mullaney went over the documents she provided to the Board which included the general fund breakdown, revenue by department and category, general fund transfer in amounts with a transfer of \$7.7 million, transportation funds year to date (\$17.8 million), and expectation of \$37.9 million. She showed the various funds for districts (Flood, Health, Jail, Library) and non-major funds. Vice Chair Vasquez said that for non-major funds there is a forecast of \$99 million but the county only spent \$23 million. Director Mullaney explained why the benefits amount was at \$57 million and she explained that is where they put the Public Safety Personnel Retirement System (PSPRS) placeholder. Vice Chair Vasquez also stated that for the capital projects list, he thought there were more vehicles requested than what is reflected, and Director Mullaney explained that the list reflects what is presented regarding expenditure limits because Health and Human Services (HHS) has its own funds, and those funds are not held under the expenditure limit- they do not apply to it.

Chair Horstman asked if they are expecting a 4% cost for the interest rate on the bond, and expecting an investment rate of approximately 4.4%, which means there will be a .4% profit to offset the debt. Stifel Financial Consultant Mark Reader stated that Chair Horstman is correct. Chair Horstman stated that she would like to see the ultimate cost to the county for the bond and debt service.

Supervisor Ryan asked if it would be easy to modify the amount of \$80 million if needed and County Manager Peru answered that any adjustment needs to be figured out because they have to have the amount in order to put the package together for financing. Mr. Reader explained that Finance Director Mullaney is planning on the Board to adopt resolutions with the amount needed for financing and that they will need to move quickly. Chair Horstman stated that she understood that the financing would be used for FY23 and that they will need to file with the Attorney General's Office some kind of reimbursement to take advantage of the reduction of expenditure limit. Director Mullaney explained that they will have to do a Board Resolution expressing the intent then they can exclude the expenditures. Chair Horstman asked if it needs to be done in a couple of weeks and Mr. Reader answered that they have to close by June 30. Director Mullaney also stated that they will need to initiate the process by setting the highest amount, because they need to start the publishing process, because they can always come down on the amount for financing but can't go up. In referring to the capital project list provided to the Supervisors, Supervisor Fowler asked if this would be the time that they should propose projects and County Manager Peru answered that within the next 2 weeks they need to determine what they are seeking. Chair Horstman stated she didn't think projects were to be added but rather the list is provided and FY23 is already there as well as FY24. Vice Chair Vasquez asked if they have the ability to adjust the projects listed or are they locked in for FY24 and FY25. County Manager Peru explained that for the financing requirement, the funding needs to be used within a certain number of years, and they need to have it determined and if something else is proposed then something would need to come off the list. Finance Director Mullaney stated that some projects may start in FY24 and then go into FY25. Finance Director Mullaney stated that the budget proposed is a balanced budget and that it is not just an expenditure limit issue.

Chair Horstman stated that legal counsel is present.

Chair Horstman asked if there is a motion to go into executive session to obtain legal advice under item 2.

Motion: So moved, **Action:** approve, **Moved by:** Supervisor Judy Begay, **Seconded by:** Supervisor Lena Fowler. The motion passed unanimously.

The Supervisors left the meeting room at 9:08 a.m. to go into executive session.

Present: Chair Patrice Horstman, Vice Chair Jeronimo Vasquez, Supervisor Judy Begay and Supervisor Lena Fowler were present in-person. Supervisor Matt Ryan was present via telephone.

Also Present: Deputy County Manager Andy Bertelsen, Deputy County Manager Sue Brown, County Manager Steve Peru, Finance Director Siri Mullaney, Deputy County Manager Lucinda Andreani, County Attorney William “Bill” Ring, Chief Deputy County Attorney Ammon Barker, Deputy County Attorney Heather Mosher, and Clerk of the Board of Supervisors Lindsay Daley were present in-person.

Chair Horstman called the executive session to order at 9:11 a.m.

Chair Horstman adjourned the executive session at 9:48 a.m. and called for a break before going back to the public session.

Chair Horstman reconvened the public session at 10:07 a.m. to resume item #2.

County Manager Peru stated that they will go through the list. As noted above and that they have completed the executive session for legal advice. He then stated that he would like to go over the compensation plan with the Board.

Human Resources Director Erika Philpot explained that there are three options being proposed for the compensation plan. One is a 2.5% increase which would be a cost of \$1,379,700 to the General funds and a total of \$2,039,650 for all funds. The second option is an Application of Funds and is \$520 with annual salary and a 2% merit increase. The third option is an impact option with grade 7 positions average 3.2% increase and grade 22 positions average 2.3% increase. Director Philpot also explained the compensation plan’s impact financially, for the employee and for the county.

Chair Horstman stated now is the time to talk about the plan and see where the Board stands on it. She stated that the wxyz compensation plan did a great job and that she likes the 2.5% but does like the option that has the \$520 with annual salary plus a 2% merit, because it helps the lower grades since those positions are harder to keep people. Vice Chair Vasquez stated that he agrees with the Chair. Supervisor Matt Ryan stated that the second option will not be as punitive to the higher-grade positions and stated that they want to keep the wxyz compensation plan from creating compression. He stated it is a good compromise and people are working on behalf of the county and are putting in an incredible effort especially when positions have not been filled. He stated he agrees with the overall 2.5% compensation. Supervisor Begay stated that she is still looking at certain things and does not have comments at this time. Supervisor Lena Fowler stated she wants to make sure that all the staff are made whole with the higher costs of insurance and that she wants to make sure to keep a balance of the pay in positions. Supervisor Fowler asked for Director Philpot’s recommendation and Director Philpot explained that the second option is the County Manager’s recommendation and her recommendation, and she explained why.

Supervisor Fowler stated that they have been talking about compression over the years and stated that Director Philpot cleaned up a lot and that she appreciates the work and supports the recommendation. Supervisor Begay stated that she is looking at everything and that she wanted to try to help grade 7 and 8 positions and that they need to look at the Information Technology positions and how to retain them. She stated that there are other questions she may have, and she said there may be other alternatives, and she wants to do the right thing for the lower grade positions. She stated she appreciates the work. Chair Horstman stated there is a consensus that they are supporting the County Manager's recommendation on the compensation plan.

Supervisor Judy Begay left the meeting room at 10:32 a.m.

County Manager Peru stated that they have finished discussing the compensation plan and will now present on the issue of CPI adjustments. County Manager Peru went over the FY24 CPI recommendation from the County Manager's Office which included:

- 10% base budget increase based on operations and travel
- One-time funding for FY24
- May be used to cover inflationary cost increases including fuel, supplies, contracted services
- May be used to cover certain requested increments
- The cost within the budget would be \$1,279,800 from the general fund, and \$919,200 from other major funds

Chair Horstman stated that she understands and is in favor of the recommendation. Vice Chair Vasquez stated that he is also in favor of the recommendation. Supervisor Lena Fowler stated that she is supportive of the recommendation.

Supervisor Judy Begay returned to the meeting room at 10:36 a.m.

Supervisor Matt Ryan stated it is a larger percentage and the cost of living is high, and it has an impact throughout the organization. He stated he is supportive of the recommendation. Supervisor Judy Begay stated she agrees with the 10% and thinks it is really needed and maybe even a higher percentage is needed but is in agreement with the recommendation.

County Manager Peru stated that they will now go over the department's budget requests and increments and what is being recommended by the Manager's Office. A list was provided to the Supervisors that depicts the requests by each department listed alphabetically- titled FY24 County Manager Budget Recommendations. The Manager went down the list department by department and identified which requests the Manager's Office would recommend. For the Community Development Department request, County Manager Peru stated he revised it to \$55,000 a year for 2 years. He answered questions. Supervisor Matt Ryan stated that the funds for area plans keep getting pushed and he understands it for this fiscal year but that he does want to address it for the next fiscal year. Supervisor Fowler stated that she wants Tuba City to be considered for an area plan. Chair Horstman stated they will bring the discussion back. Chair Horstman stated that she would like to discuss elections being its own department in the future and that she hates to see the county spend \$100,000 for rent and renovations for something the county is leasing. She stated that if they can find something where the county can own the building that would be better. Deputy County Manager Sue Brown explained that the Facilities Master Plan update will shed a light on the issue. Vice Chair Vasquez asked if the elections warehouse renovation and Board Chamber Room remodel project are included in the request for the bond financing package and County Manager Peru answered yes. Chair Horstman

stated that it is hard to spend money on the BOS Chamber Room if it is not a long-term solution. Chair Horstman that 4FRI is asking for a contribution of \$2500 which was funded in the past. County Manager Peru continued to go down the list of department requests and the Manager's Office recommendations. Chair Horstman stated that she would like to see the county have an opportunity to apply for grants for community wildfire defense. Deputy County Manager Lucinda Andreani explained that there is enough flexibility in the projects, and she recommends coming back to the request in FY25. She stated that they can get the plans in place with the communities and then address how the community wants to move forward with the fire districts in getting them implemented. She also stated that the two major plans cover 80% or more of the population at risk. Chair Horstman stated she is in favor of the plan being done. Supervisor Begay asked about the tribal liaison position when they spoke about the tribal building for the future and County Manager Peru stated that program for tribal liaison was budgeted as a contracted service and they can bring it back to discuss the program.

Chair Horstman stated that she hopes that more departments look at how the Health and Human Services (HHS) department deals with their positions. Supervisor Fowler stated they may want to look at hiring a consultant to help with the current workload. Human Resources Director Erika Philpot spoke about how they re-classified positions in IT to make them competitive and created some growth opportunities for employees. Supervisor Fowler stated that what is needed now is to recruit and maybe there needs to be an incentive for people to work for the county. Director Philpot stated she agrees and there may be something that can be adjusted as they need to be competitive and have good networking and she stated that IT Director Matt Fowler has an outstanding reputation and people want to work with him. She explained that there are 5 IT positions vacant across the county right now.

Vice Chair Vasquez asked if there has been any consideration in expanding the workforce housing benefit to those working in IT and that may be something to consider for the long-term. County Manager Peru stated that they have had initial discussions with Housing Solutions, and the City of Sedona, as it is a county-wide issue and that whatever is proposed needs to meet legal requirements. Chair Horstman stated that this is not just an issue for Coconino County but also Coconino Community College, Northern Arizona University and private businesses and that it needs to be addressed across jurisdictions and that a housing committee should be created to have all the agencies work on the issue. Supervisor Begay asked if County Manager Peru can share the initial information he received on the issue of housing from Housing Solutions and other agencies he has talked to.

County Manager Peru continued to go through the list of department requests and Manager's Office recommendations. Director Mullaney answered questions regarding the space in Page and costs associated with that. County Manager Peru explained the request in which the Manager's Office recommended not to fund was the full-time employee request from juvenile court and that they will continue with state allocations and if something changes to the VOCA grant then will make budget adjustments at that time. Chair Horstman stated that she wants to talk about putting the revenue from the amphitheater back into the amphitheater for the future. Chair Horstman stated that they need to be careful because they have expanded with the ARPA positions and programs, and she likes the idea of having the departments come back to the Board regarding those positions so they can make decisions regarding them. Supervisor Fowler also stated that they need to be careful with the ARPA positions. Supervisor Fowler asked that for those departments that have their own IT staff, do they coordinate with IT Director Matt Fowler and the IT department and County Manager Peru stated yes, that they work together. County Manager Peru finished going through the list of requests and recommendations. He stated that the departments were very realistic in their requests this year.

Chair Horstman called for a break at 12:01 p.m. and reconvened the meeting at 12:44 p.m.

County Manager Peru stated that they will now discuss the outside agency/partnership funding. They went over the handout for that. Chair Horstman stated that she wants \$2,500 provided to 4FRI. Supervisor Lena Fowler stated that she would like \$50,000 provided to the organization Navajo Way- an organization that serves 13 Navajo communities by providing social services, much like United Way. Chair Horstman stated that she would need more information for that to be considered. Chair Horstman stated that they are providing funds to the Coconino Plateau Alliance, but that there are other economic development associations out there such as the Flagstaff Business Alliance. Supervisor Ryan stated that Supervisor Fowlers suggestion is a good idea and that they should consider setting up a structure for it like they did with United Way. County Manager Peru stated that he will meet with Supervisor Fowler and Supervisor Begay to meet with the Navajo Way organization.

There was a break in the meeting due to an interruption at 12:55 p.m. and then the meeting reconvened at 1:01 p.m.

County Manager Peru went over the handout that was titled "Follow-ups Needed." He went over the items in the list that included budget discussion to come back to, budget follow-up materials needed, department follow-up request, future discussions for board meeting. Chair Horstman stated that for the ARPA transitions discussion that it would be good to meet with the departments well before the next budget. Vice Chair Vasquez stated that he would like to add workforce housing to the discussion list. County Manager Peru also went over the staff direction list. Supervisor Matt Ryan asked to include traffic flow and parking at Ft. Tuthill County Park to the list as they are faced with the hospital issue next to the park. County Manager Peru mentioned the "opportunity zone" and Supervisor Fowler stated that the opportunity zone was created by the Ducey administration, and the lines could have been created better for our county. Supervisor Begay stated that the Health and Human Services department presentation stood out and that she would like to see other departments follow that format. Chair Horstman stated that she would like to look at trade worker's salaries and payments for certifications. Supervisor Fowler asked about whether they need to have an evaluation of county positions, and County Manager Peru stated that began last year and that Human Resources can provide information on the status of the county relative to recruitment, retention, acquisition.

County Manager Peru stated they staff will put together the budget with the recommendations and that the proposed budget does fit the framework of the county's capacity. Chair Horstman asked that they be provided a breakdown on the costs of the bond issuance. Supervisor Fowler stated that she has projects that she would like added to the capital project list. Chair Horstman stated that they have talked about the possibility of going out to bond for facilities and other projects and that this capital project list is to do with what they can for the services of the county. She stated she looks forward to the future and talking about a long-term facilities bond and that she hopes to keep the amount at \$80 million and no more. Supervisor Begay stated that they really need to talk about staff housing and economic development, and she thanked staff for the presentation. Supervisor Ryan stated he is more reserved in what is added to the capital project list until the override ballot initiative comes up. Vice Chair Vasquez stated he feels some of the information could have been provided to them sooner. He stated he appreciates the hard work and is looking forward to moving forward. Chair Horstman stated she agrees with Vice Chair Vasquez and that she enjoyed the information from departments and hearing about their plans for the future. She stated that the financing proposal is a legitimate proposal for them to move forward that will meet the needs of the county, provides service to residents and is fiscally sustainable and that the county has the money to cover it. She also stated that she looks

forward to a discussion with the Board on how to expedite the budget process for the future. Supervisor Fowler thanked staff that contributed to the budget process and that she understands the needs and wants and that they try to listen to every department, and it is a difficult process, and there are laws and policies that they cannot change and have to work within like the expenditure limit. She stated that the process had more information and was very different from the past. She stated that they should keep the capital project list AT \$80 million but would like to address projects that did not make it on the list at some point. She thanked her colleagues and the Highlands Fire District for the use of the space. She also thanked county management and finance staff for putting all the information together. Supervisor Begay stated it has been a long three weeks but very informative, and that she also thinks it may be better to have information up front for the future. She thanked County Manager Peru for the organizational chart she requested. She thanked staff for the information and thanked IT staff for being there the whole time and thanked her colleagues. Supervisor Matt Ryan stated it was good to hear from the departments and he thanked County Manager Peru and the leadership and management team for what they proposed, and he commented that Director Mullaney is doing a great job and that he liked that they brought in financial consultant Mark Reader from Stifel, and that Director Mullaney went through the budget process while having turnover in her own department. He also thanked the Deputy County Managers. He stated that they made good recommendations. Supervisor Ryan further thanked everyone for being patient with him as he got sick with COVID during the middle of budget. He also thanked the Highlands Fire District for allowing them to use their space.

Chair Horstman thanked Highlands Fire District Fire Chief Todd Miller for letting the county use their facility. Chief Miller stated it was an honor to have the county.


Chair Horstman adjourned the meeting at 1:54 p.m.

COCONINO COUNTY BOARD OF SUPERVISORS

(SEAL)



Patrice Horstman, Chair

ATTEST:


Lindsay Daley, Clerk of the Board of Supervisors

