

**PAGE CITY COUNCIL
REGULAR MEETING MINUTES
MARCH 11, 2015**

A Regular Meeting of the Page City Council was held at 6:30 p.m. on March 11, 2015, in the Council Chambers at City Hall in Page, Arizona. Mayor Bill Diak presided. Vice Mayor John Kocjan, Councilors Mike Bryan, Scott Sadler, Levi Tappan, David Tennis and Dennis Warner were present. There was a moment of meditation. Vice Mayor Kocjan led the Pledge of Allegiance.

Mayor Diak called the meeting to order.

Staff members present: City Manager, J. Crystal Prentice; City Attorney, Joe Estes; IT Director, Mike Bergner; City Magistrate, Rick Olson; Chief of Police, Frank Balkcom; Deputy City Clerk, Sue Kennedy; and City Clerk, Kim Larson.

PRIORITY LIST

Discussion and possible action by the City Council pertaining to the City Council Strategic Priorities

There was no discussion by the City Council.

Discussion and possible action by the City Council pertaining to the City Councilors individual priorities

There was no discussion by the City Council.

MINUTES

Regular City Council Meeting-February 25, 2015

Motion made by Vice Mayor Kocjan to approve the minutes. The motion was duly seconded and passed upon a vote.

CONSENT AGENDA

MINUTES

Page Tourism Board-January 27, 2015

Page Planning and Zoning Commission-February 17, 2015

Page Community Center Board-January 7, 2015

INFORMATION

City of Page Monthly Cash Allocation Variance Report

Motion made by Vice Mayor Kocjan to approve the consent agenda. The motion was duly seconded and passed upon a vote.

PUBLIC HEARINGS

None

HEAR FROM THE CITIZENS

No citizens addressed the City Council.

UNFINISHED BUSINESS

Discussion and possible action by the City Council pertaining to the Navajo Heritage Foundation, Inc. Land Lease Agreement

The lease agreement for the Navajo Village expires on March 10, 2015. During the February 11, 2015 Regular City Council meeting, City Council directed staff to prepare a new lease agreement through the end of 2015. The new lease agreement continues the requirement that the use of the property is to promote Navajo culture and educational experiences and to promote tourism for the City, while addressing Council's concerns regarding the hours of operation, promotion efforts and to insure the property is open to the public and provides a benefit to the City. The new lease agreement requires the Navajo Heritage Foundation to coordinate the promotion and use of the property with the City of Page Tourism Board and City Tourism Department. The new lease agreement also provides for the ability to review Navajo Heritage Foundation's books and records as desired by Council.

City Attorney Joe Estes introduced the item, presented several of Council's concerns, and identified in the new lease agreement where these were addressed.

Motion made by Councilor Tennis to allow the City Manager to execute the Land Lease Agreement between the City of Page and the Navajo Heritage Foundation, Inc. The motion was duly seconded and passed upon a vote.

NEW BUSINESS

Presentation by Shawn Simpson, Boutique Air, regarding Essential Air Service for Page and possible discussion by the City Council

Mayor Diak introduced Shawn Simpson and Mathew Butcher of Boutique Air.

Shawn Simpson, President, Boutique Air, began his presentation with a brief history of the company, stating that they have been in business since 2007, and have grown significantly in recent years. With the addition of aircraft that can provide passenger airline service, Boutique Air (Boutique) has been awarded contracts for Essential Air Service (EAS) between Clovis, New Mexico and Dallas/Fort Worth, Texas, and between Silver City, New Mexico and Albuquerque, New Mexico.

Mathew Butcher, Director of Operations, Boutique Air, gave a short personal biography of his aircraft experience, including that he is an airline Captain himself.

Shawn and Matt showed pictures of the airplane's nine-seat interior, highlighting a few of the specifications, and went over the proposal for Page, outlining trips per day, destination options, fare range, and baggage policies. They also stressed that they have been operating since July 2014 with 99% reliability and have had no pilot cancellations. All of their pilots are ATP (Airline Transport Pilot) rated Captains and Boutique's high pay scale helps greatly with recruitment and job satisfaction. The

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aircraft that they use is the Pilatus PC-12, which the military uses because it is so capable, and it can easily land on a short runway fully loaded. Matt added that their planes are so new that most of them have not yet needed an engine overhaul, they have not experienced any maintenance issues, and parts will be readily available since this aircraft is still in production.

Shawn presented graphs of Boutique's traffic growth in Clovis and Silver City, both in NM, and stated that in addition, they will have flights out of Chadron and Alliance, both in Nebraska, Carlsbad, NM, and that Show Low, AZ has made a recommendation.

In response to multiple questions from Mayor and Council, Shawn and Matt also offered the following information:

- Boutique Air currently owns four aircraft for EAS, and has three more arriving soon; this is plenty of aircraft for their two active routes, the three additional routes coming up, the Show Low recommendation and the possible Page EAS. They have plenty of financial backing for this and more growth.
- The Pilatus PC-12 has a 3,000 pound fuel load, which enables them to fly over 6 hours without refueling.
- Boutique plans to land in a secure terminal, may have an opportunity to fly in and out of Sky Harbor International in Phoenix, and counter space will not be a problem. They have a consultant in Nebraska that will provide them with the necessary information about the airport in Phoenix.
- They would maintain Transportation Security Administration (TSA) authority in Page, their application process with TSA being 90% complete.
- They do not have code-sharing as of now; therefore no checked luggage can be transferred to another airline. They would anticipate inter-airline agreements as the company grows.
- The aircraft would overnight in Page, provide 3 roundtrip flights per day, and the flight crew would have living quarters here in Page.
- For maintenance they would like to use the local resources at the airport for smaller problems, and for major issues they would bring in another airplane.
- Boutique is authorized for single pilot flights but they use a crew of two 99% of the time, for the two crew reliability. They do not require their Captains to be ATP rated, but currently they all are. Boutique would be willing to make it a requirement if that is what Page wants.

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- Boutique's research shows that Page has a historical average volume of 8,000 to 10,000 seats filled per year, and that they are offering 15,000 seats flying throughout the year. Further, their research indicates that Page's volume does not spike drastically during the summer months, thus the year-round 3 roundtrip non-stop flights per day.
- The Pilatus PC-12 has an extremely reliable Swiss made engine with plenty of horse power to take off at maximum capacity, and all of the luggage, on the hottest day of the summer.
- Boutique Air takes very good care of their customers, and in the rare event of a cancellation, they will do whatever it takes to get their customers where they need to be, by bringing another plane or compensating the customer for their trouble.

Presentation by Doug Voss, Great Lakes Aviation Ltd., regarding Essential Air Service

Doug Voss, President Great Lakes Aviation Ltd., began by saying his airline has 37 years of operation experience, and has a different business model than Boutique. He added that due to a pilot shortage crisis, Great Lakes is currently operating under a business model they never intended.

The entire industry is suffering a collapse; due to statutory requirements, retirees, and the higher price of schooling, there were 52,000 fewer pilots in 2013 than in 2009. As a result, Great Lakes has had to pull down a lot of service, and has had to operate like a 135 carrier which can accept pilots with less training who can fly maximum nine seat aircraft. This forced them to remove 10 seats from their Beechcraft 1900 airplanes for the last year, and only fly 17 of their 34 aircraft.

In answer to the pilot shortage crisis Great Lakes' current strategy is to have more passengers per pilot and turn their Los Angeles hub and their Denver hub into 30 seat product line operations, and sever Page as a bridge between these hubs. This means Page will no longer be the victim of pilot cancellations in Denver. Mr. Voss stated he wants Page to be a pilot domicile with one overnight airplane, perhaps two if they have spares. He proposes to have 3 roundtrip flights daily to Phoenix and 1 to Denver. He also expects to put the 10 seats back in their 19 seat planes within the next three months.

Great Lakes has been serving Page since 1993 and they know Page's market very well. Mr. Voss continued that Great Lakes offers baggage transfer, has interline ticketing, and their own contract maintenance. Localizing is a fix to the problem. Page is small, but aviation is strong here and it is a favorite destination for crews.

There was lengthy discussion about pilot training and the system.

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Councilor Bryan asked what Great Lakes would consider their reliability rating. Mr. Voss admitted it was complex and depended on what measuring stick is being used. Out of the 3,400 flying hours scheduled for March, 600 of those hours had to be extracted and de-scheduled. But their crew re-growth has already resulted in improvement.

Mayor Diak called for a break at 8:02 p.m.
Mayor Diak resumed the meeting at 8:10 pm.

Discussion and possible action by the City Council pertaining to our recommendation to the Federal Aviation Administration (FAA) regarding Essential Air Service for Page
The FAA published a request for proposals pertaining to Essential Air Service for the City of Page. Two carriers responded, Boutique Air and Great Lakes Aviation, Ltd.

Mayor Diak opened the floor for questions and comments.

Councilor Tennis stated that his only concern is if the City goes with a 135 carrier, does that preclude them in the future from going back to a 121 carrier?

Shawn Simpson, Boutique Air, answered by saying that going with a 135 does not make you stuck with a 135. He went on to explain that there are two things that you can waive your right to: twin engine and pressurization. He recommended not waiving our right to pressurization because then we would be stuck with airplanes that cannot fly higher than 10,000 feet. It is not a 135 versus 121 decision. Choosing a 135 operation does not make you stuck with it, the City would be perfectly capable of switching back in the future. The City would be in safe territory.

Councilor Tennis also noted the difference between the two presentations is that one company is touting the fact that they are able to recruit and retain and develop pilots, and the other company is saying that there are a lot of issues with recruiting, retaining, and developing pilots. He stated that the difference in fare structure, one charging half as much as the other, and issues and community complaints about the current level of customer service are all things that are important for them to consider.

Mayor Diak addressed the shortage of pilots by stating that the difference between a Part 121 and a Part 135 is the number of hours that those pilots must have sitting in the seats. There are a lot more pilots in the lower hour range for a 135 than in the higher hour range that is required for a Part 121 operation.

There was discussion.

Doug Voss, Great Lakes Aviation, explained that the substantial difference in the pilot training is that to be a Part 121 Captain, you must possess 1,500 hours and an ATP multi-engine certificate. A 135 pilot only need 1,200 hours and cannot be hired by Great

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Lakes. The other component of growing to be 121 ATP certified Captain is you must have 1,000 hours of experience either in the right co-pilot seat of a 121 operation or a minimum of 1000 hours of Captain, Pilot in Command experience in the left seat of a 135, which can be obtained without achieving ATP certification.

Mr. Voss also pointed out the sheer seat count difference between the two proposals. If their plan works, Page will be getting 60 more seats a day with Great Lakes.

Shawn Simpson, Boutique Air, responded by saying that both airlines are operating under a 135 and that all of their Captains are ATP.

Mathew Butcher, Boutique Air, stated that the Pilatus PC-12 is a very advanced and safe aircraft that requires only one pilot, but they fly it with a Captain and a First Officer.

Doug Voss clarified that Great Lakes does not own or operate a 135 certificate. They operate a 121 certificate and there is a huge and substantial difference not only in pilot training but also the required 121 maintenance and 121 dispatch. Great Lakes is the only remaining 19-seat and 30-seat 121 operator in the country because it is a business model that no one else was willing to face into: taking 10 seats out in order to continue to make pilots.

Councilor Warner stated that even though Boutique has a great business, these are not equal programs: there is a day and night difference between 121 and 135. If there is a ray of hope to resurrect the Part 121 operation with full seats, the advantages of that for our community are huge.

Councilor Tappan stated that Great Lakes' business model cannot operate under the current regulatory environment, and a company that can, should be chosen.

Mayor Diak explained that severing Page from the Denver to LA route, and creating a standalone Page to Phoenix route, would solve a lot of issues. He also stated that there are companies that do not allow their employees to fly in a single-engine plane commercially, for insurance reasons. He referenced James Hunt, who is employed at Amangiri.

Motion made by Vice Mayor Kocjan to recommend Great Lakes Aviation Ltd.as the provider of Essential Air Service for the Page Municipal Airport. The motion was duly seconded and failed 4 to 3 with Councilors Sadler, Tappan, Bryan, and Tennis voting against, and Councilor Warner, Vice Mayor Kocjan, and Mayor Diak voting in favor.

Motion made by Councilor Tappan to recommend Boutique Air as the provider of Essential Air Service for the Page Municipal Airport. The motion was duly seconded and passed 4 to 3, with Councilors Sadler, Tappan, Bryan, and Tennis voting in favor, and Councilor Warner, Vice Mayor Kocjan, and Mayor Diak voting against.

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Discussion and possible action by the City Council pertaining to extending C&S Companies Consultant Agreement for General Airport Consulting Services Agreement

At the May 22, 2012 Regular City Council Meeting, the City Council approved a contract with C&S Companies, Inc. to provide general consulting and engineering services. The initial three year contract expires on August 22, 2015, and has an option to extend for two years upon mutual written consent of the parties. C&S Companies have agreed in writing to extend the contract pursuant to Article II.

Mayor Diak introduced the item and stated that this contract could be extended for one year or two years.

Motion made by Councilor Sadler to extend the General Airport Consulting Services Agreement with C&S Companies for an additional two years pursuant to Article II. The motion was duly seconded and passed upon a vote.

Discussion and possible action by the City Council pertaining to the Republic Services, Inc. (formerly Allied Waste Services) 2015 contractual rate increase

On January 27, 2011, the City of Page entered into an Agreement for Residential and Commercial Solid Waste and Recyclables Collection Removal (the "Agreement") with Republic Services, Inc. (f/k/a Allied Waste Services of Page, Inc.). Pursuant to the Agreement, the City is responsible for the collection of fees for solid waste services provided to residential customers and the City manages this collection service through Page Utility Enterprises ("PUE").

Under Section 3.03 of the Agreement, Republic and the City are to evaluate rate adjustments pertaining to volatile market factors that may impact Republic's ability to provide service with acceptable margins. The basis for such adjustments include factors such as "increases or decreases in [Republic's] productivity, disposal changes, material and equipment costs, labor costs, [Republic's] level of service, prices paid in comparable communities, enacted, issues or amended laws and regulations, and or changes in the Consumer Price Index for Western Cities" ("CPI").

Republic proposes a rate adjustment for residential rates of 1.9% for 2015 based on the 2013-2104 CPI. This proposed adjustment based on the change in CPI is consistent with the adjustments that have been made in previous years.

City Attorney Joe Estes stated that although PUE is the rate collection mechanism that the City uses, the actual contract is through the City. He reviewed the section of the contract where it provides for an annual price adjustment.

Councilor Warner stated that fuel costs are a large part of Republic's expenses, and the cost of fuel is down about 18.7%, and may well remain stable at that level. Because of this, a rate decrease should be considered, not an increase. He said that the CPI statistic is one that can vary greatly depending on where you look.

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Jason Godfrey, Republic Services, stated that the drop in fuel prices has helped in the short term, but the company has internalized bad years in this respect. He recommended that the rate adjustment be based on the same CPI as in the last seven years, perhaps looking at fuel as an independent component.

Councilor Warner stated that the base rate was established when fuel costs were high, and therefore the citizens should not bear the cost of a rate increase.

Mr. Godfrey stated that other components such as labor, tire prices, and insurance costs have all gone up, it isn't just fuel cost.

Councilors Sadler and Warner both stated that what is needed is a good faith review of Republic's books and to establish which CPI should be used.

There was discussion.

It was the consensus of Council to postpone this request for 30 days to allow staff the time to do a review coupled with a look at CPI trends and to bring the item back then.

Discussion and possible action by the City Council pertaining to amending the Page Zoning Code Section 4, Permitted Use Table A - Residential Zoning District, and Section 5.5 Bed and Breakfast Homestay-Ordinance 624-15 1st reading

At the April 25, 2012 Regular City Council Meeting, the City Council passed and adopted Ordinance 585-12, allowing for the conditional use of bed and breakfasts ("B&B") within residential zoning districts. However, the Ordinance contained a sunset provision and the changes have thus expired as of May 26, 2014. The matter was addressed to the Planning and Zoning Commission, which unanimously approved the recommendation to continue the changes that were made in 2012. There are currently 5 B&B within the City of Page, only one of which is in an R1-8 residential zone. There have been no complaints or issues logged with the City concerning B&B's in residential zones.

The current ordinance is identical to that of 585-12, with the inclusion of the removal of the \$150.00 annual fee for water and sewer. The \$150.00 annual water and sewer fee contained in the B&B ordinance was approved in 1981 and is paid to PUE. The PUE Board has requested that the fee be removed from the B&B ordinance as the Board is considering modifications to its rules and fees for the water and sewer utilities. The Planning and Zoning Commission unanimously approved the recommendation that the fee be removed from the B&B ordinance.

Joe Estes, City Attorney, stated that Ordinance 624-15 continues to allow B&B's as a Conditional Use Permit (CUP). Secondly, the \$150.00 water and sewer fee for this permit is removed.

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Motion made by Councilor Sadler to introduce Ordinance 624-15 by title only for its first reading. The motion was duly seconded and passed upon a vote.

The Deputy City Clerk introduced Ordinance 624-15 by title only.

AN ORDINANCE OF THE MAYOR AND COMMON COUNCIL OF THE CITY OF PAGE, COCONINO COUNTY, ARIZONA, AMENDING THE CITY OF PAGE ZONING ORDINANCE SECTION 4, PERMITTED USE TABLE A: RESIDENTIAL ZONING DISTRICTS, AND SECTION 5.5 BED AND BREAKFAST HOMESTAY, SUBSECTION 5.5.2 REQUIREMENTS (F) AND (J); AND (B) REMOVING THE REQUIREMENT TO PAY \$150.00 WATER AND SEWER FEE.

Motion made by Councilor Sadler to pass Ordinance 624-15 to its second reading. The motion was duly seconded and passed upon a vote.

BID AWARDS

None scheduled

BUSINESS FROM THE MAYOR

Discussion by the City Council pertaining to a State Legislative update

Mayor Diak said that HB 2254 regarding rental sales tax removal, is still sitting in the House and has not been brought to a vote yet, and that there is a commitment from all of our Representatives that they are not in favor of it.

Mayor Diak also stated that the budget was passed.

BUSINESS FROM THE MANAGER

None scheduled

BUSINESS FROM THE CITY ATTORNEY

None scheduled

BUSINESS FROM THE COUNCIL

EXECUTIVE SESSION

Pursuant to ARS § 38-431.03 (A) (1) Discussion or consideration of employment, assignment, appointment, promotion, demotion, dismissal, salaries, disciplining or resignation of a public officer, appointee or employee of any public body, except that, with the exception of salary discussions, an officer, appointee or employee may demand that such discussion or consideration occur at a public meeting. The public body shall provide the officer, appointee or employee with such notice of the executive session as is appropriate but not less than twenty-four hours for the officer, appointee or employee to determine whether such discussion or consideration should occur at a public meeting.

City Attorney, Joseph D. Estes Employment Agreement

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The City Council did not enter into Executive Session.

Discussion and possible action by the City Council pertaining to Joseph D. Estes Employment Agreement

Motion made by Councilor Warner to approve the revised Employment Agreement between City Attorney Joe Estes and the City. The motion was duly seconded and passed upon a vote.

BOARDS & COMMISSIONS

Discussion by the City Council pertaining to reports by Board Liaisons

There was no discussion by the City Council.

DEPARTMENTS

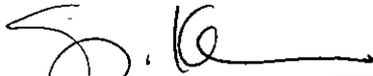
None scheduled

CLAIMS

None scheduled

ADJOURN

The meeting was adjourned at 8:58 p.m.



Sue Kennedy
Deputy City Clerk



William R. Diak
Mayor

CERTIFICATION

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the City Council Regular Meeting, held on the 11th day of March, 2015. I further certify that the meeting was duly called and that a quorum was present.

Dated this 25th day of March, 2015

A handwritten signature in black ink, appearing to read 'Sue Kennedy', is written over a horizontal line.

Sue Kennedy, Deputy City Clerk