

CITY COUNCIL BUDGET RETREAT
TUESDAY, APRIL 24, 2018
AND WEDNESDAY, APRIL 25, 2018
CITY HALL COUNCIL CHAMBERS
211 WEST ASPEN
1:00 P.M.

1. Call to Order

Mayor Evans called the Budget Retreat of April 24, 2018, to order at 1:02 p.m.

2. Roll Call

NOTE: One or more Councilmembers may be in attendance telephonically or by other technological means.

PRESENT:

MAYOR EVANS
VICE MAYOR WHELAN
COUNCILMEMBER BAROTZ
COUNCILMEMBER MCCARTHY
COUNCILMEMBER ODEGAARD (arrived at 1:04 p.m.)
COUNCILMEMBER OVERTON
COUNCILMEMBER PUTZOVA

ABSENT:

NONE

Others Present: Interim City Manager Barbara Goodrich; City Attorney Sterling Solomon

3. City Council FY 2019 Budget Retreat

Interim City Manager Barbara Goodrich provided an overview of the budget process. Ms. Goodrich offered that she feels that the proposed budget that is being brought forward addresses many of the Council's goals and priorities, but there were also many things that were unable to be addressed. The City is healthy from an economic perspective with on-going revenues continuing to grow but there were things that still could not be done including staff compensation. There was no ability to offer any kind of merit increase this year and unfortunately this is being reflected in the City's increased turnover. There are a number of requests in front of Council that are for maintenance, capital, and city services that were unable to be provided for this year as well. There will be discussions about the various fees and taxes that are new, existing, or being requested to continue basic city services. They also include providing funds for sustained maintenance of the Flagstaff Watershed Protection Project. Additionally, there are a number of desired enhancements in the Sustainability Section and they would like to review their fees to increase their revenues and that is not part of this year's recommendation because of all the things that are already on the table. These are just a couple of the items that were unable to be addressed to the depth Council may have wanted.

Ms. Goodrich offered that she would like to suggest that the Council take a longer view of the City budget process, not this fiscal year but going forward into the next budget year. Staff prepares a five-year plan each year to ensure that the budget decisions are sustainable going

forward. It is necessary to look at the root cause of why the City is unable to advance so many of its strategic priorities and it really comes down to the continued burden that the public safety pension system is putting on the budget.

Over the last three years the unfunded liability has grown by an average of \$10 million per year putting the current unfunded liability over \$100 million. These increases are a result of changes in actuarial assumptions and the two recent lawsuits that rolled back benefits to the people who were vested in those benefits before the package changed.

Of the \$10.5 million spent each year for public safety pension, \$8 million is for the unfunded portion. She again suggested that the Council take longer term view and consider possible solutions to this problem. Perhaps it is time for the Council and the community to seriously consider a public safety tax in 2020 to buy down the liability so that \$8 million can be used for ongoing operations in the city and be able to advance the community priorities in a better way than is possible today.

It is a big ask but doing this would lessen the need to continually ask for increased fees and taxes to continue services in the community. A priority or performance-based budgeting process will do a deep dive into what the community feels are priority services and programs provided by the city. This is important because every service the city provides has a constituency and it is very hard to objectively talk about what the impacts are when there is a Council Chambers full of people that depend on that service. This type of budgeting system will allow objective community feedback on what the community, as a whole, feels are important services to provide within limited financial resources.

Councilmember McCarthy asked if the City continues on its current path with the pension issues if it will get caught up. Ms. Goodrich state that implementation of Tier 3 will get the City there. The City does not have control over the actuarial assumptions and the continuation of the decrease in interest rates will help make the contributions go further but it is time to be more proactive.

Staff is looking at a possible study to identify where the City's sales tax primarily comes from; from inside residents our outside visitors. That data will be used to provide consideration of a sales tax initiative. Being aggressive could mean that a majority of the pension could be paid off in five years and the City could start immediately putting some of those resources back into the organization's resources and employees.

Management Services Director Rick Tadder began the Budget Retreat PowerPoint presentation:

APPROACH FOR FY2019 BUDGET
GOALS AND OBJECTIVES
BUDGET PRIORITIES
BASE BUDGET REDUCTIONS
BUDGET OUTLOOK
BASE BUDGET REDUCTIONS
REQUESTS FROM DIVISIONS
REVENUES – GENERAL FUND
EXPENDITURES – GENERAL FUND
SUMMARY – GENERAL FUND
TOTAL AVAILABLE FOR PARKING LOT: \$253,000
BUDGET OUTLOOK
EXPENDITURES – ALL FUNDS
EXPENDITURES BY GOAL – \$14.7M

REVENUE CONSIDERATIONS
TAX DISCUSSION
RECENT FEE/CHARGE CHANGES
UPCOMING FEE/CHARGE CHANGES
BUSINESS LICENSES AND TRANSACTION PRIVILEGE TAX LICENSES (TPT)
STORMWATER SERVICE CHARGE
FUTURE FEE/CHARGE CHANGES
SOLID WASTE
ENVIRONMENTAL FEE
FLAGSTAFF WATERSHED PROTECTION PROJECT
AIRPORT PARKING
COUNCIL GOALS, OBJECTIVES AND BUDGET PRIORITIES
BUDGET PROCESS – RECOMMENDED BUDGET
REVIEW OF NEW INVESTMENTS BY COUNCIL GOAL

At this time, staff members reviewed various Council Goals and related objectives, budget priorities, and work programs with Economic Vitality Director Heidi Hansen continuing the presentation.

ECONOMIC DEVELOPMENT

Grow and Strengthen a More Equitable and Resilient Economy

Objectives:

Market Parks and Recreation as accessible for all regardless of income

Budget Priorities:

Downtown Litter/Recycling/Cleanup

Work Program:

Airport – presented by Airport Director Barney Helmick

Community Investment – presented by Community Investment Director David McIntire

Tourism – presented by Convention and Visitor's Bureau Director Trace Ward

Economic Vitality Campaign – presented by Ms. Hansen

Flagstaff Sister Cities – presented by Ms. Hansen

After a brief discussion Council requested that the Airport Waste Dump Station, TSA Security, and Sister Cities funding be added to the Parking Lot list.

A break was held from 3:08 p.m. to 3:21 p.m. at which time Housing Director Sarah Darr continued the presentation.

AFFORDABLE HOUSING

Support Development and Increase the Inventory of Public and Private Affordable Housing for Renters and Homeowners Throughout the Community

Objectives:

Increase the number of affordable rental units

Seek partnerships with private developers to increase the inventory of affordable rental and ownership housing

Budget Priorities:

Funding for Down Payment and Closing Cost Programs

Work Program:

Continued facilitation with Brinshore for Scattered Sites Affordable Housing

Provide public education for Housing ballot question

Participate with local groups to enhance housing opportunities throughout the community

Work with local service providers on the Front Door program

Pursue further creation of rental housing units on City owned land

Ms. Goodrich continued the presentation.

SOCIAL JUSTICE

Advance Social Justice in the Community

Objectives:

Develop a strategic plan to implement the Indigenous Circle of Flagstaff recommendations.
Improve overall communications and engagement with Native Nations as we work in partnership on shared issues and concerns.

Facilitation of annual meetings with tribal nations and collaborate on agenda development

Budget Priorities:

Indigenous Organizational Development

Meetings with Indigenous Councils

Federal Match for Disability Service Providers

Economic Analysis of Visitation to the Community

Work Program:

Indigenous Circle of Flagstaff Recommendations

Indigenous Commission

Cultural Awareness Training

Marketing of Indigenous Community

Meetings with Indigenous Groups

Discussion was held concerning minimum wage and the federal match for disability service providers as well as the need for an economic analysis of visitation to the community.

Public Works Director Andy Bertelsen continued the presentation.

TRANSPORTATION AND OTHER PUBLIC INFRASTRUCTURE

Deliver Quality Infrastructure and Continue to advocate for and Implement a Highly Performing Multi-Modal Transportation System

Objectives:

Advocate for additional state and federal funding for state and federal roads

Complete construction of the new core maintenance facility in the next two years

Replace aging infrastructure

Budget Priorities:

Northern Arizona Council of Governments Regional Planning Grant Increase

Environmental Remediation and Demolition of Mogollon Yard

Replace Two (2) Street Sweepers

Replace One (1) Dump/Plow Truck

Repurpose Two (2) Solid Waste Tractors and Trailers to Street Operations

Work Program:

- Street Lights to Enhance Dark Skies
- Street Maintenance Program
- Street Sweeping
- Storm Drain Maintenance

Planning Director Dan Folke continued the presentation.

BUILDING AND ZONING/REGIONAL PLAN

Revise the Zoning Code to Remove Ambiguities and Ensure it is Consistent with Community Values and the Regional Plan

Objectives:

- Adjust the codes to better reflect community values and the intent of the regional plan.

Budget Priorities:

- Codification Services
- Building Inspector Overlap
- StruCalc Computer Program

Work Program:

- Complete Southside Specific Plan and Code Amendments
- Implement Building Safety succession plan for Building inspection retirements
- Accept and review building permit plans electronically

Council discussed the staffing needs of Community Development and requested that a Neighborhood Planner position and Planning Development Manager position be added to the Parking Lot list.

The Council also discussed impact fees. Ms. Goodrich noted that they can only be collected and spent if they are increasing service to a new area or because of new growth. She said that if they are trying to enhance the code enforcement they provide, they could not be used for that; if they were growing by 10,000 people that requires a new police substation, it could be used for that new infrastructure.

Sustainability Manager Nicole Antonopoulos continued the presentation.

CLIMATE CHANGE

Take Meaningful Climate Change Action

Objective:

- Develop and implement a climate action plan

Budget Priorities:

- Energy Data and Energy Rebate Contract Pay
- Fire Adapted Community Events
- Greenhouse Gas Inventory Software

Work Program:

- Climate Action and Adaptation Plan
- Arizona Renewable Energy Collective
- City of Flagstaff Hopi Renewable Energy Memo of Understanding
- Fire Adapted Community Resiliency and Preparedness Events
- Home Energy Efficiency Rebate Program

Council requested that increasing funding to the Home Energy Efficiency Program and Teacher Training for sustainability be added to the Parking Lot list.

Water Conservation Manager Erin Young continued the presentation.

WATER CONSERVATION

Become a National Leader in Water Conservation in All Sectors

Objective:

- Secure long-term water resources

Budget Priorities:

- Aquifer Recharge Feasibility Study
- Water Service contribution toward Sustainability programs

Work Program:

- Conservation Program
- Water Resources
- Reclaimed Water

A break was held from 5:05 p.m. through 5:25 p.m. after which Fire Chief Mark Gaillard continued the presentation.

ENVIRONMENTAL AND NATURAL RESOURCES

Actively Manage and Protect All Environmental and Natural Resources

Objective:

- Preserve natural resources
- Increase City recycling from 13% to 75%

Budget Priorities:

- Open Space Specialist
- Schultz Creek Trailhead Construction
- Zero Waste Coordinator

Work Program:

- Flagstaff Watershed Protection Project
- Four Forests Restoration Initiative
- Firewise Neighborhoods
- Wildland Urban Interface Code
- Volunteers
- Fire Metrics: Occurrences and Acres/Incident (Treated vs Untreated)
- McMillian Mesa Management Plan
- Schultz Creek Trailhead Management Plan
- Picture Canyon Natural and Cultural Preserve Improvements and Graffiti Abatement
- Indigenous Youth Service Academy

Conservation Easement Reporting
Legally Designated Open Space Easement Process Updated (Application/Fee
Assessment)

Human Resources Director Shannon Anderson continued the presentation.

COMPENSATION AND BENEFITS
COMPENSATION TRENDS
BENEFIT TRENDS
RETENTION TRENDS
COMPENSATION
BENEFITS
FUTURE RETIREMENT COSTS

Employee Advisory Committee Co-Chairs Kristi Markey and Tamara Lawless continued the presentation.

EAC PRESENTATION FY2019
EAC FY2019 BUDGET RECOMMENDATIONS
WHAT WAS ADOPTED BY THE BUDGET TEAM
EAC FY2019 ACCOMPLISHMENTS

Ms. Anderson continued the presentation.

PERSONNEL

Attract and Retain Quality Staff

Objectives:

- Invest in employee training
- Ensure adequate Public Safety staffing levels
- Enhance tuition reimbursement opportunities throughout the organization
- Provide parking incentives for employees

Budget Priorities:

- Increase in Training Budget City Wide
- Regional Fire Training Coordinator
- Increase (3) Paramedic Assignments
- Summit IGA
- CART Overtime Funding
- Radio System
- Police Officers (2)
- Police Aides (3)
- Security Guards for Libraries
- Tuition Reimbursements (Citywide)
- Parking Permits, EcoPass and Incentives

Work Program:

- Recruitment Incentive for Police Personnel
- Hiring Bonus for Lateral Officers
- Hired 2 Police Officers with award of COPS Grant
- Hired 6 Firefighters with award of SAFER Grant
- IGA with Summit Fire and Medical District
- Regional Firefighter Academy

Following Council discussion, it was requested that paid maternity/paternity leave, a ten-year longevity payout, and an establishment of a housing relocation fund be added to the Parking Lot list.

Communications Manager Jessica Drum continued the presentation.

COMMUNITY OUTREACH

Enhance Public Transparency and Accessibility

Budget Priorities:

- Election
- Citizens Survey
- Website Optimization
- Certified Public Participation and Other Trainings

Work Program:

- Strategic Communications Plan
- Social Media Best Practices Guide

Neighborhood Liaison Valeria Chase continued the presentation.

TOWN & GOWN

Enhance Relationships Between the City and Institutions of Higher Education

Objective:

- Coordinate with NAU, CCC and the Arizona Board of Regents (ABOR) in planning for future growth of the student population

Budget Priorities:

- Neighborhood Liaison

Work Program:

- International Town and Gown Association
- Community Welcome Event
- Neighborhood Events and Outreach
- Internship IGA with NAU

Code Compliance Manager Reggie Eccelston continued the presentation.

CODE COMPLIANCE

Achieve Comprehensive and Equitable Code Compliance

Budget Priorities:

- Graffiti Abatement Supplies
- Litter Removal Program
- Litter Prevention Programming Supplies

Work Program:

- Work with neighborhood associations and community groups to prioritize issues and coordinate enforcement
- Complete neighborhood outreach on parking and solid waste in neighborhoods around NAU

Work with Dark Skies community to develop education pieces and enforcement of dark sky compliant lighting
 Community Stewards community clean-ups and group clean-ups

Council requested that a Litter Clean Up Program be added to the Parking Lot list.

At this time, the following individuals addressed the Council regarding the budget:

- Amanda Kristinat, Boys and Girls Club of Flagstaff
- Delfina Rodriguez, Arrowhead Mobile Home Park resident
- Norma Rodriguez, Arrowhead Mobile Home Park resident
- Miriam Meza, Arrowhead Mobile Home Park resident
- Olga Garcia, Arrowhead Mobile Home Park resident
- Gabby Vazquez, Arrowhead Mobile Home Park resident

4. **Adjournment**

The Flagstaff City Council Budget Retreat of April 24, 2018, recessed at 7:33 p.m.

City Council FY 2019 Budget Retreat - Day Two

1. **Call to Order**

Mayor Evans called the Special Budget Retreat of the Flagstaff City Council held April 25, 2018, to order at 9:03 a.m.

2. **Roll Call**

NOTE: One or more Councilmembers may be in attendance telephonically or by other technological means.

PRESENT:

ABSENT:

MAYOR EVANS
 VICE MAYOR WHELAN
 COUNCILMEMBER BAROTZ
 COUNCILMEMBER MCCARTHY
 COUNCILMEMBER ODEGAARD
 COUNCILMEMBER OVERTON
 COUNCILMEMBER PUTZOVA

NONE

Others present: Interim City Manager Barbara Goodrich and City Attorney Sterling Solomon.

3. **City Council FY 2019 Budget Retreat**

City Engineer Rick Barrett provided a PowerPoint presentation that covered the following:

CAPITAL IMPROVEMENT PROGRAM OVERVIEW
 CAPITAL IMPROVEMENT PROGRAM SUMMARY – FISCAL YEARS 2019-2023

Capital Project Manager Trevor Henry continued.

EIGHT PROGRAM CATEGORIES
PROGRAM CATEGORIES FY18 ESTIMATES
PROGRAM CATEGORIES FY19 BUDGET
PROGRAM CATEGORIES FY20-23 PROJECTIONS
PROGRAM CATEGORIES CATEGORY TOTAL
TOTAL PROGRAM SUMMARY
GENERAL GOVERNMENT
STREETS/TRANSPORTATION
FUTS
BBB
WATER/WASTEWATER/RECLAIMED WATER
STORMWATER
SOLID WASTE / SEMS
AIRPORT

Mr. Tadder continued the presentation.

OTHER NEW INVESTMENTS
APPROVED PERSONNEL AND OTHER REQUESTS
 Census 2020 Count Committee
 Service Partner Contracts
 Library
 Tourism

Councilmember Barotz asked about IT security funding. IT Director Ladd Vagen stated that there is approximately \$450,000 in anticipated cost to increase securities. Not all of that was funded in this year's budget but there are improvements that can be done with the funding that was received.

Councilmember Bartoz requested that additional IT funding be added to the Parking Lot list.

A break was held from 10:19 a.m. through 10:46 a.m.

At this time the following individuals addressed the Council regarding the budget:

- Moran Henn, Willow Bend
- Murielle Mesa, Arrowhead Mobile Home Park resident
- Gaby Vasquez, Arrowhead Mobile Home Park resident
- Jose Alvarado, Arrowhead Mobile Home Park resident
- Dr. Louis Fernandez, Arrowhead Mobile Home Park resident
- Susan Altiveros, Arrowhead Mobile Home Park resident
- Susan Wallace, Arrowhead Mobile Home Park resident
- Paul Linds, Arrowhead Mobile Home Park resident
- Evan Hotbaker, Arrowhead Mobile Home Park resident

Written comment cards regarding the Council budget were submitted by the following:

- Nicole Charles
- Nate Edenhofer
- Mare Schumacher
- Jessica Martinez

The budget discussion continued.

Councilmember Barotz asked about the increased service levels with the Fire Department. There has been an increased call load by over 325% while reducing staff. She asked how the current financial situation in the department is modifying the way they respond to calls and the equipment used in an effort to save money.

Fire Chief Mark Gaillard stated that the situation is the rapidly increasing service demand and no increase in resources. The number one requested service is emergency medical services and it has been difficult to ensure a paramedic is responding with Fire personnel. This is a high priority use and they want to put enough paramedics on the work force to respond at all times. There has been discussion about a partnership with Summit Fire to reduce overhead and increasing service in the community. With regard to equipment Flagstaff Fire is using equipment that in some communities would have been retired at half the level that is currently being used.

Councilmember Putzova asked what the total budget contingency the City maintains in its budget is. Ms. Goodrich explained that there is a contingency fund for forest fires and other unexpected things that come up. 20% is the current contingency percentage as adopted by Council some years ago.

Mr. Tadder continued the presentation.

COUNCIL PARKING LOT ITEMS

Mr. Tadder provided Council with a list of their requested Parking Lot items. The Council reviewed and discussed each one; the final outcome of the parking lot list is attached.

4. **Adjournment**

The Flagstaff City Council Budget Retreat of April 25, 2018, adjourned at 1:49 p.m.

MAYOR

ATTEST:

CITY CLERK