

Preliminary Discussion of Potential Ballot Measures





Project Team



Preliminary Public Input

- Housing Commission
- Parks & Recreation and Open Space Committee

Staff

- Fire Department
- Housing Section
- Management Services Department
- Parks & Recreation Sections
- Sustainability Section



Agenda



- Secondary Property Tax & Bond Capacity
- Bond History
- Affordable, Livable, Walkable, Healthy, Safe Community
 - Housing
 - Open Space
 - Parks & Recreation
 - Flagstaff Watershed Protection Project
 - Unfunded Pension Liability
- Partner Update
- Summary and Questions

Secondary Property Tax & Bond Capacity





General Obligation Bonds

- Cities can issue several types of debt
 - General Obligation Bonds, Revenue Bonds, Leases, Loans, ect
 - Per Charter, the City must receive Voter Approval for certain facilities (Article XVI: Amendment 2). Currently over \$2.4M
- Our focus will be about General Obligation Bonds (GO Bonds)
 - For the City to Issue GO Bonds, we must receive Voter Approval
 - The City may levy a secondary property tax for payment
 - Secondary property tax can only be used to pay back GO Bonds



General Obligation Bonds

- Legal Limits – Assessed Valuations (State Statute)
 - 20% Limitation: Water, sewer, artificial lighting, parks, open space, recreational facilities, public safety, law enforcement, fire and emergency services and street and transportation facilities
 - Bond capacity in this limitation = \$161M
 - 6% Limitation (i.e. Housing)
 - Everything else
 - Currently no issuance under this limitation
 - Bond capacity in this limitation = \$60M



General Obligation Bonds

- Current rate is 0.8366 per \$100 of Assessed Valuation
 - Current policy to remain at or below 0.8366 rate
 - This is based on promises made during past elections
 - The City is allowed to go above this rate for the purpose of paying debt
- Based on current projection of Assessed Valuations
 - Estimated capacity \$61M under current rate policy
 - Uses capacity through FY 2041
 - Majority of existing debt paid off by FY 2023



General Obligation Bonds

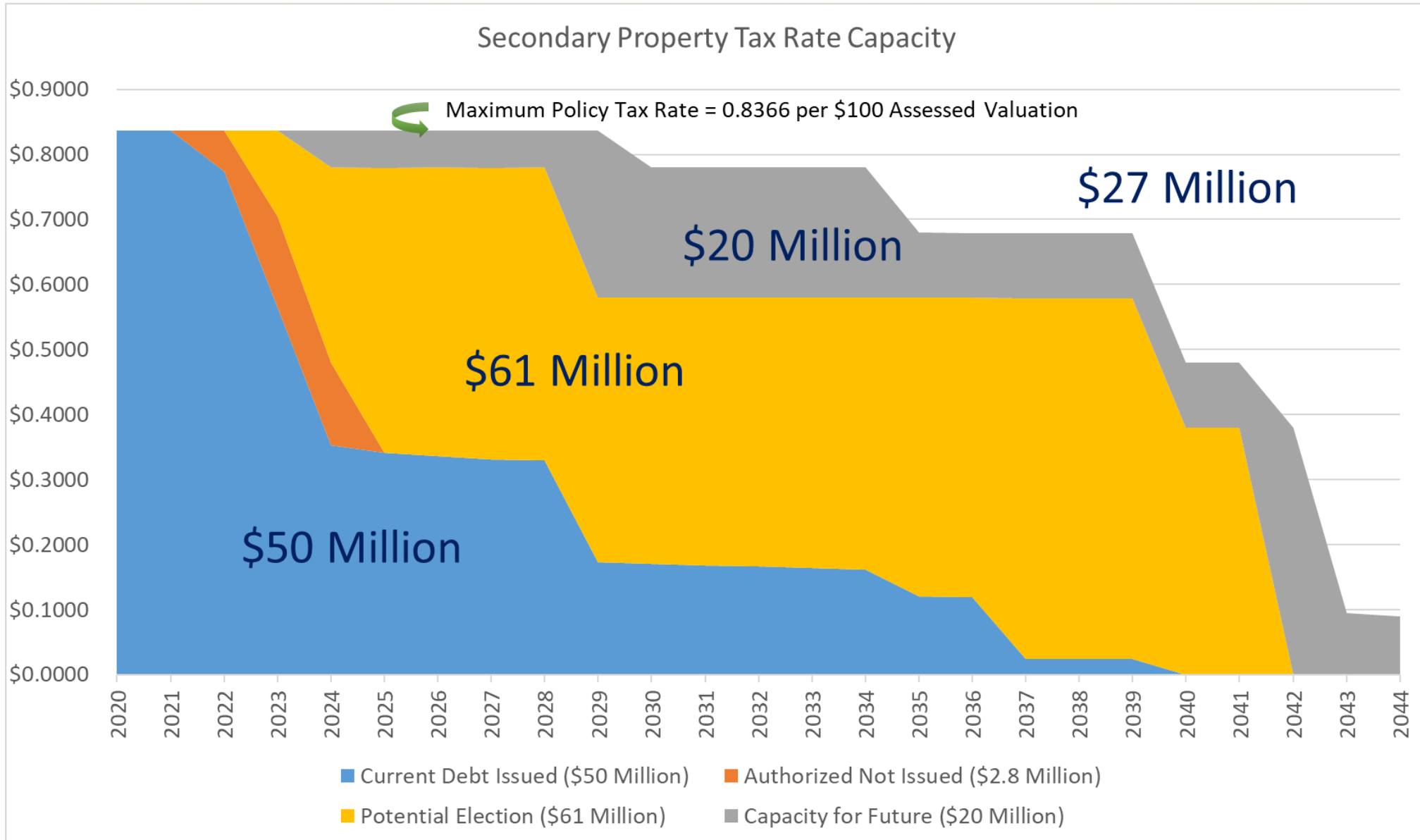


- For planning purposes:
 - 20-year debt issuance at 5% interest rate
 - \$10M, \$25M and \$60M in bonds
 - Average Class 3 Residential Assessed Value - approx. \$240,000
 - Total rate stays within current policy: 0.8366

| Amount of Voter Authorization | Amount of Total Debt Paid | Average Tax Rate Required | Residential Annual Impact | 20-Year Impact |
|-------------------------------|---------------------------|---------------------------|---------------------------|-----------------------------|
| \$ 10,000,000 | \$ 15,934,493 | 0.0917 0.0861 | \$ 19 \$ 21 | \$ 380 \$420 |
| \$ 25,000,000 | \$ 39,836,233 | 0.2293 0.2152 | \$ 46 \$ 52 | \$ 920 \$1,040 |
| \$ 60,000,000 | \$ 95,606,960 | 0.5502 0.5164 | \$ 111 \$124 | \$ 2,200 \$2,480 |



Secondary Property Tax Capacity





Summary

- \$61 million debt capacity available in secondary property tax at current rate of 0.8366
- Money is available upon bond approval and issued as needed
- Only unissued GO debt is \$2.8 million for parks land
- Each additional \$10 million = ~0.085 additional rate
- Additional capacity added annually as debt paid off
- Questions

Bond History





General Obligation Bond History

| ELECTION DATE | GENERAL OBLIGATION BOND QUESTION | AMOUNT | PASS/ FAIL |
|---------------|---|--------------|------------|
| 11/5/1996 | Improving Various Parks and Recreation Services | \$8,200,000 | PASS |
| 5/18/2004 | Fire Fighting Facilities and Acquisition of Emergency Response Vehicles and Equipment | \$16,800,000 | PASS |
| 5/18/2004 | Neighborhood Open Space and FUTS Land Acquisition | \$7,600,000 | PASS |
| 5/18/2004 | Regional Open Space – Observatory Mesa Land Acquisition | \$5,500,000 | PASS |
| 5/18/2004 | McMillan Mesa Open Space Land Acquisition | \$10,100,000 | FAIL |
| 5/18/2004 | Multi-Generational Recreation Center: Expansion or New Construction | \$6,100,000 | PASS |
| 5/18/2004 | Municipal Swimming/Aquatic Center Construction | \$8,600,000 | PASS |
| 5/18/2004 | Lake Mary Regional Park and Other Parks Land Acquisitions | \$2,800,000 | PASS |
| 5/18/2004 | Continental Park Recreational Field Development | \$3,100,000 | FAIL |
| 5/18/2004 | Snow Play Area Development | \$4,100,000 | FAIL |



General Obligation Bond History

| ELECTION DATE | GENERAL OBLIGATION BOND QUESTION | AMOUNT | PASS/FAIL |
|---------------|--|--------------|-----------|
| 5/18/2004 | Wastewater Improvements (*) | \$23,100,000 | PASS |
| 5/18/2004 | Water Wells (*) | \$8,500,000 | PASS |
| 5/18/2004 | Water Rights Acquisition/Water Development (*) | \$15,000,000 | PASS |
| 11/2/2010 | Municipal Court House | \$23,000,000 | FAIL |
| 11/2/2010 | Municipal Services Maintenance Canter | \$42,000,000 | FAIL |
| 11/2/2010 | Public Safety/City Operations Communications Systems | \$4,720,000 | PASS |
| 11/2/2010 | Street and Utilities Improvements | \$16,500,000 | PASS |
| 11/6/2012 | Forest Health and Water Supply Protection Project | \$10,000,000 | PASS |
| 11/6/2012 | Core Services Maintenance Facility | \$14,000,000 | PASS |
| 11/8/2016 | Municipal Court House | \$12,000,000 | PASS |
| 11/6/2018 | Housing Affordability | \$25,000,000 | FAIL |

(*) These items were approved as GO backed authorization; however the payment source was from water and wastewater rates.



Building Community Together



Envision Flagstaff ... As a Healthy, Affordable, Livable, and Walkable Community.

Limited resources can lead to competing values. However a healthy, affordable, livable, and walkable community is intrinsically linked.

How do we reframe the conversation, so they are not mutually exclusive initiatives? What we do know is:

- Building community together is an incremental process
- Building community will take time
- There are no silver bullets

Attainable Housing Recommendations





Attainable Housing Bond Recommendations



Overview

- Housing Commission
 - Process
 - Prioritization
 - Other Items Considered
- Attainable Housing Recommendations
 - Emergency
 - Rental
 - Homeownership





Emergency Housing Recommendations - \$10 Million



| Project (<i>Prioritized</i>) | Amount | Estimated Community Benefit | Revolving Fund Capability (Yes/ No) |
|---|--------------|-----------------------------|-------------------------------------|
| EH1: Support existing, and develop new, eviction/homelessness prevention and rapid rehousing/move-in assistance programs to advance community efforts in housing stabilization and permanency. | \$10 Million | 5,333 Households Served | No |



Rental Housing Recommendations - \$10 Million



| Project (<i>Prioritized</i>) | Amount | Estimated Community Benefit | Revolving Fund Capability (Yes/ No) |
|---|---------------|---|---|
| RH1: Redevelopment of housing owned & managed by the City | \$5 million | 250 units minimum (serving various AMIs) | No |
| RH2: Incentivize private sector affordable rental housing development through the creation of a revolving loan fund | \$3 million | 420 units (assuming an approximate 70 unit / project estimate, \$1 mil funds 2 projects and \$3 mil funds 6 projects) | Yes, with repayment after expiration of affordability time period |
| RH3: Acquisition of property in partnership with non-profits and private developers for adaptive reuse | \$2 million | Approximately 50 households | Yes |



Workforce Housing – Homeownership - \$10 Million



| Project (Prioritized) | Amount | Estimated Community Benefit | Revolving Fund Capability (Yes/ No) |
|---|-------------|--|-------------------------------------|
| OWN1: Purchase Assistance program | \$7 million | 350 homeowners with initial purchase funding | Yes |
| OWN2: Acquisition of land/units for affordable homeownership | \$3 Million | Estimated 120 housing units created | Yes |



Housing Commission Bond Recommendations



| Projects | Rec. #1 | Rec. #2 | Rec. #3 |
|---|----------------------|----------------------|----------------------|
| EH1: Eviction Prevention & Rapid Rehousing | \$ 10,000,000 | \$ 9,000,000 | \$ 6,000,000 |
| RH1: Redevelopment of housing owned by City | \$ 5,000,000 | \$ 5,000,000 | \$ 5,000,000 |
| RH2: Create and incentivize development partnerships for the creation of attainable rental housing. | \$ 3,000,000 | \$ 2,000,000 | \$ 1,000,000 |
| RH3: Acquisition of property in partnership with non-profits and private developers for adaptive reuse | \$ 2,000,000 | \$ 1,000,000 | \$ 1,000,000 |
| OWN1: Purchase Assistance program | \$ 7,000,000 | \$ 6,000,000 | \$ 5,000,000 |
| OWN2: Acquisition of land/units for attainable homeownership | \$ 3,000,000 | \$ 2,000,000 | \$ 2,000,000 |
| TOTALS | \$ 30,000,000 | \$ 25,000,000 | \$ 20,000,000 |



Open Space Recommendations



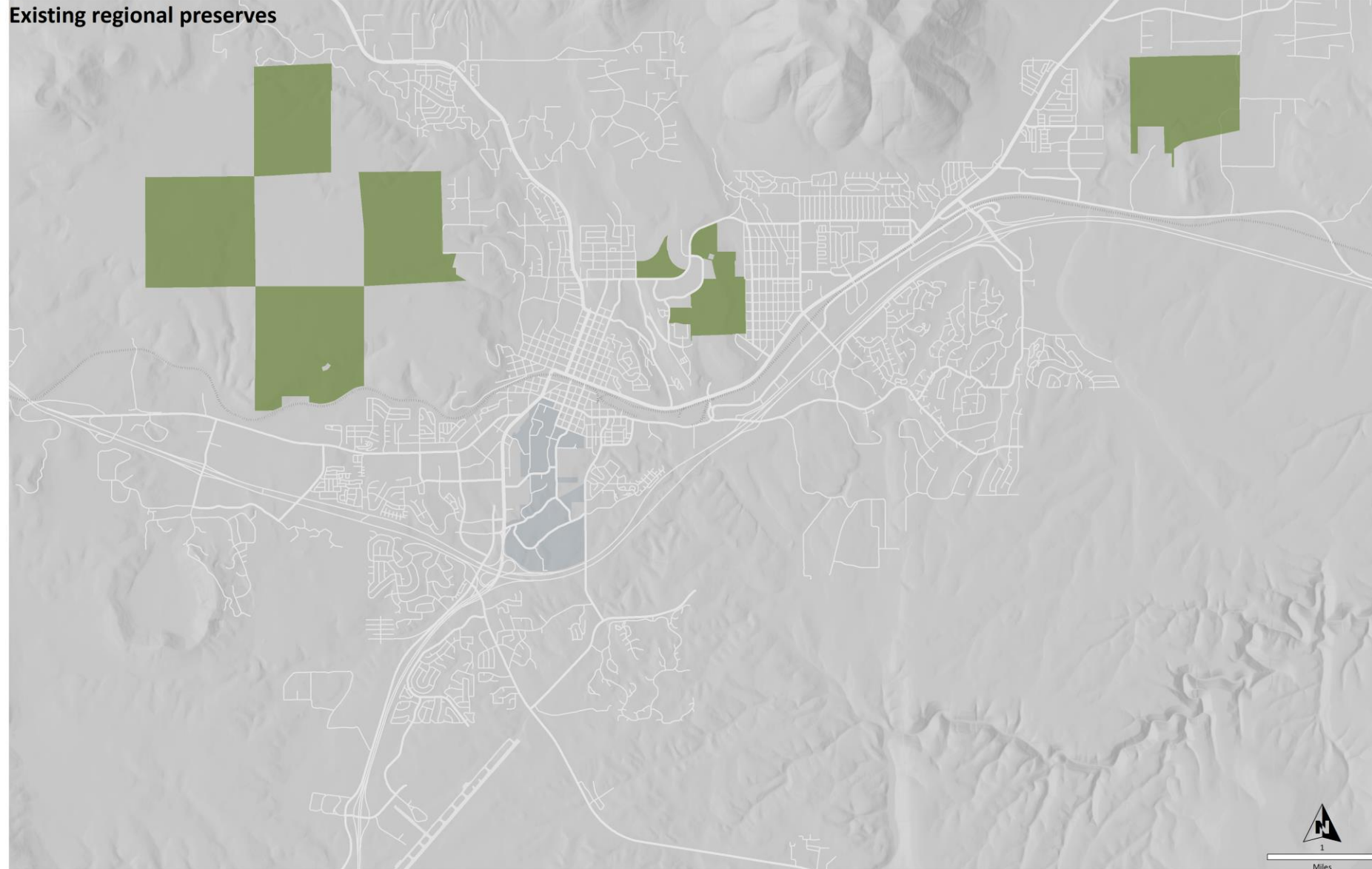


Integrated Open Space System



For Context Flagstaff's Existing Regional Preserves Include:

- Picture Canyon
- Observatory Mesa
- McMillan Mesa



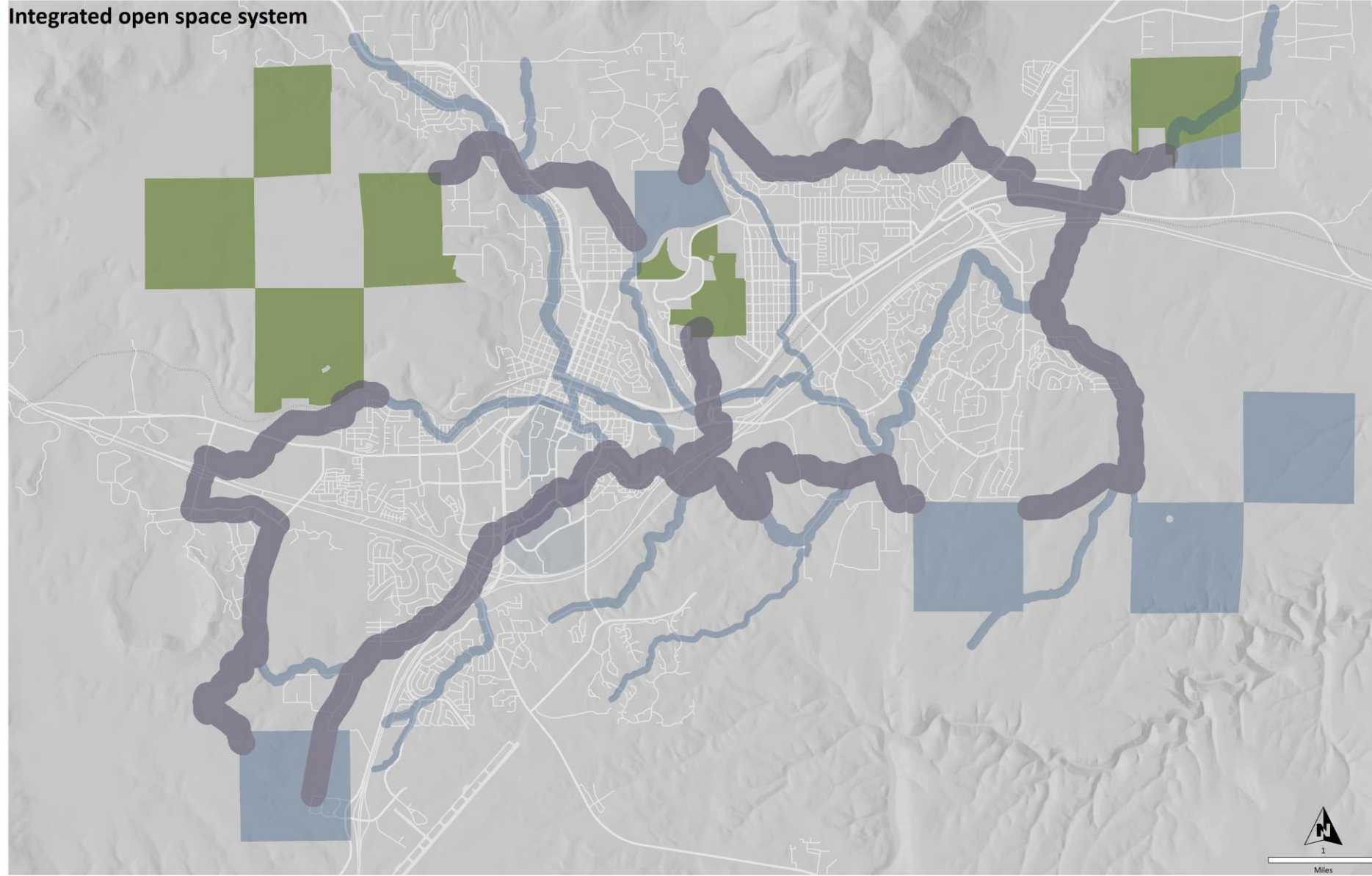


Integrated Open Space System



Long-term vision for an Integrated Open Space System:

- Regional Preserves
- Connectors
 - Consistent access
 - Transportation option
 - Traffic relief
 - Human health





Integrated Open Space System

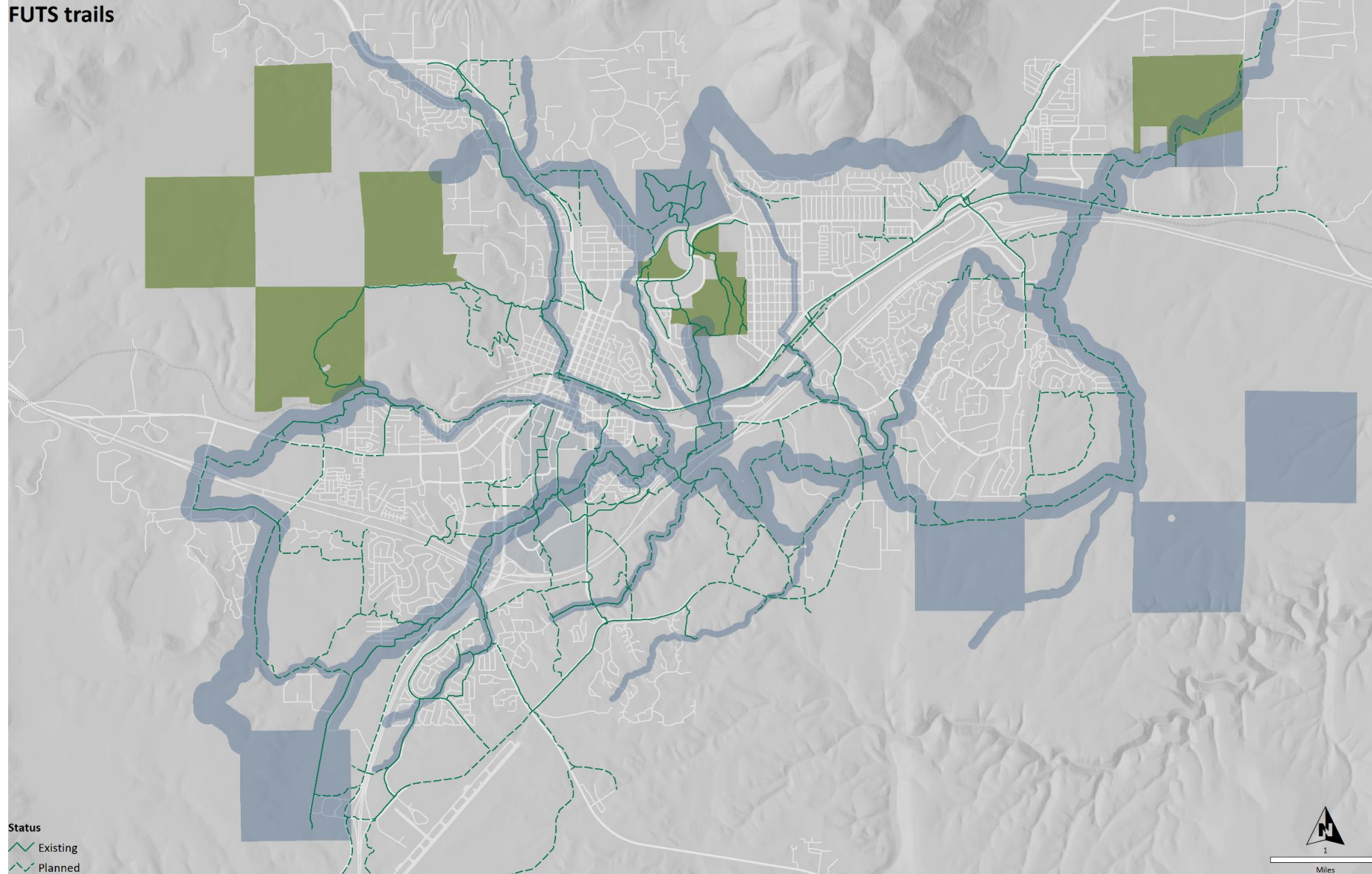


Integrating Open Space System

With:

- FUTS

FUTS trails





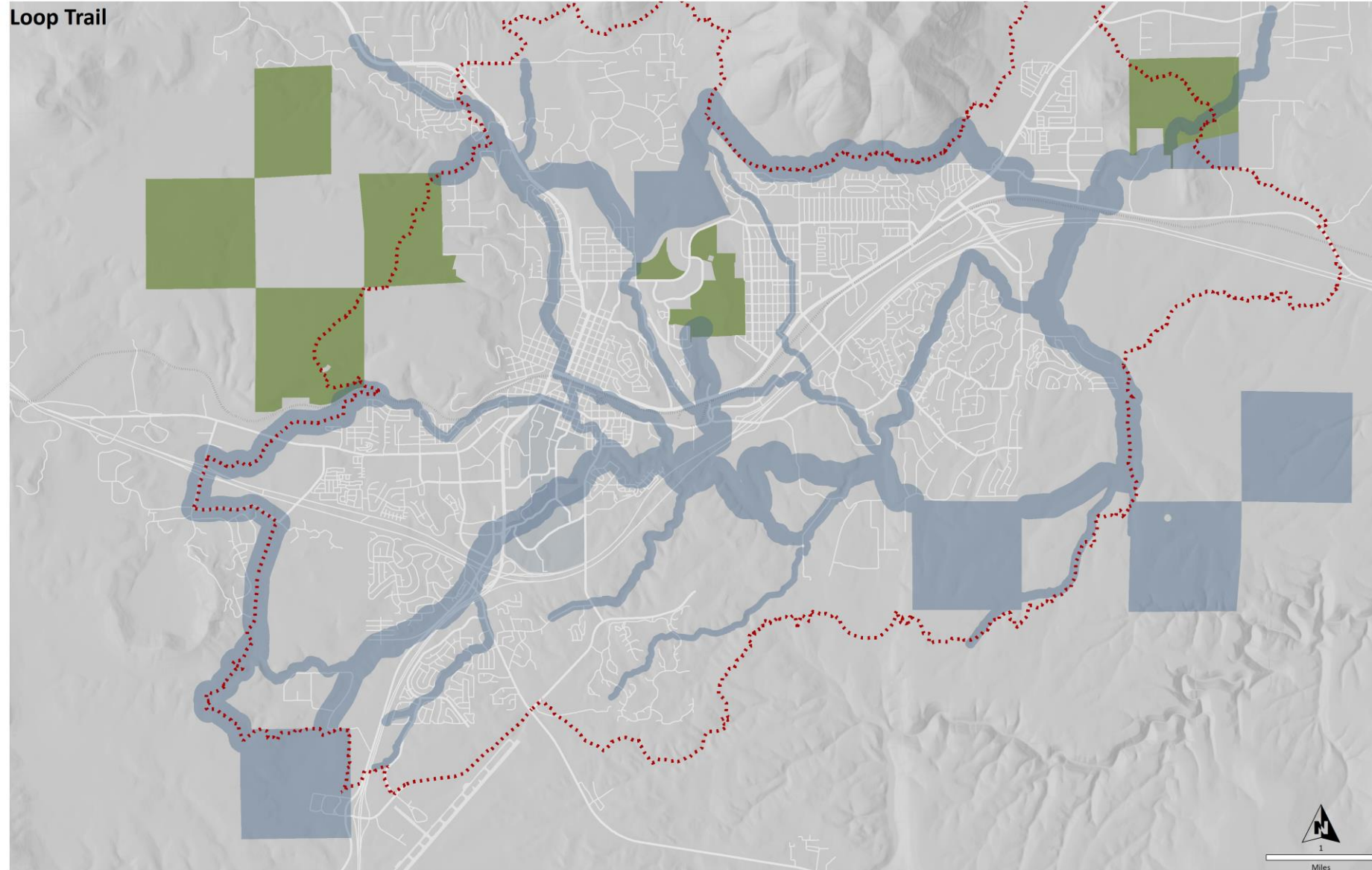
Integrated Open Space System



Integrating Open Space System

with:

- The Loop Trail





Open Space Committee Recommendations

1. Integrated Open Space System
2. Conserve and Protect City Owned Open Space
3. Observatory Mesa Trail System

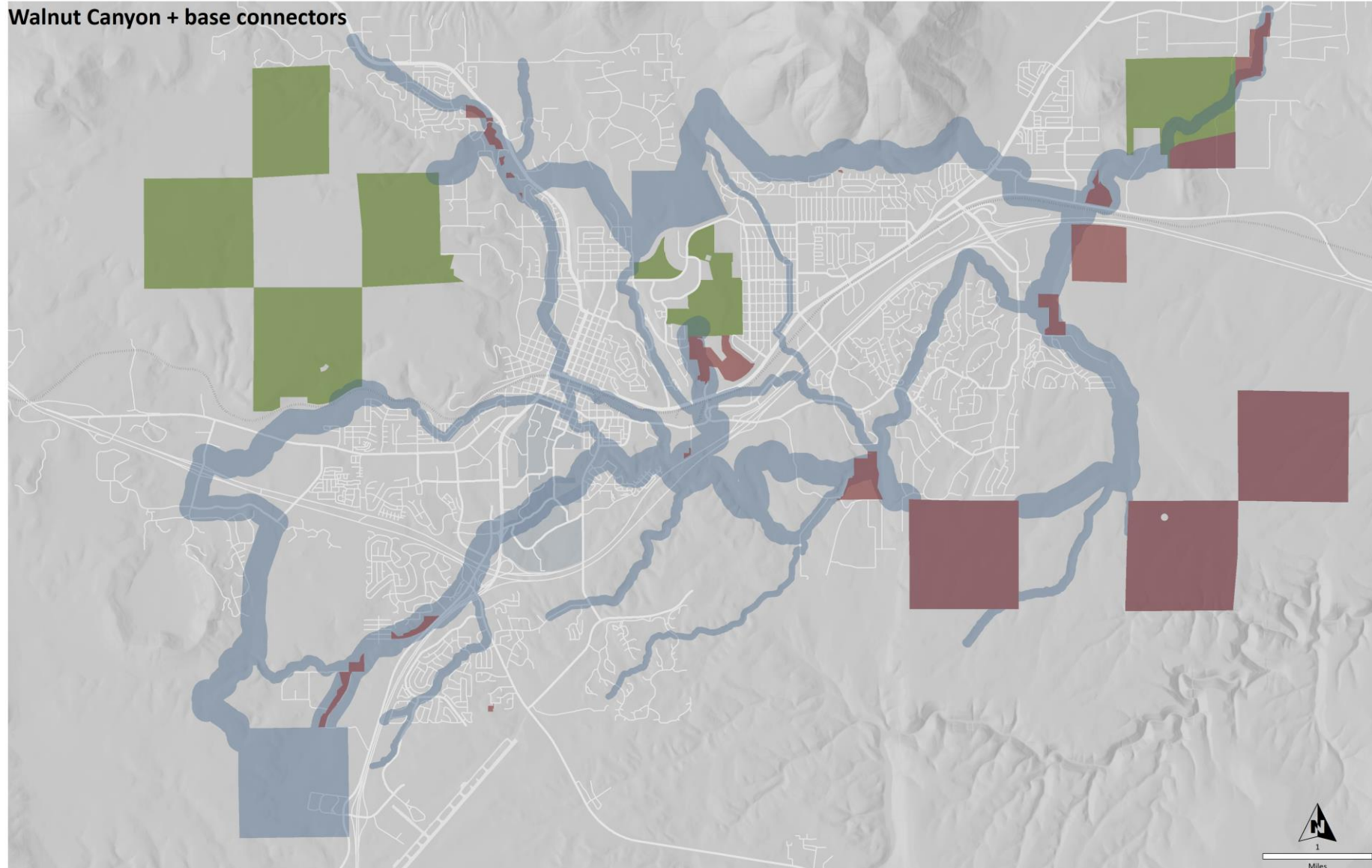




1. Integrated Open Space System- \$24.5M

Working Toward an Integrated System

- Secure open space in southeast quadrant of Flagstaff
 - One of these 3 parcels: \$7.4M
- Develop connectors
 - Base parcels: \$12.9M





2. Conserve and Protect- \$2M

Projects

Total of 48

Broken into three overarching categories

- Restoration: 20
- Preservation: 10
- Facility improvement: 18

Properties

1. Picture Canyon:

17 projects \$1,239,500

2. McMillan Mesa:

17 projects \$154,500

3. Observatory Mesa:

7 projects \$146,100

4. Schultz Creek:

7 projects \$23,000

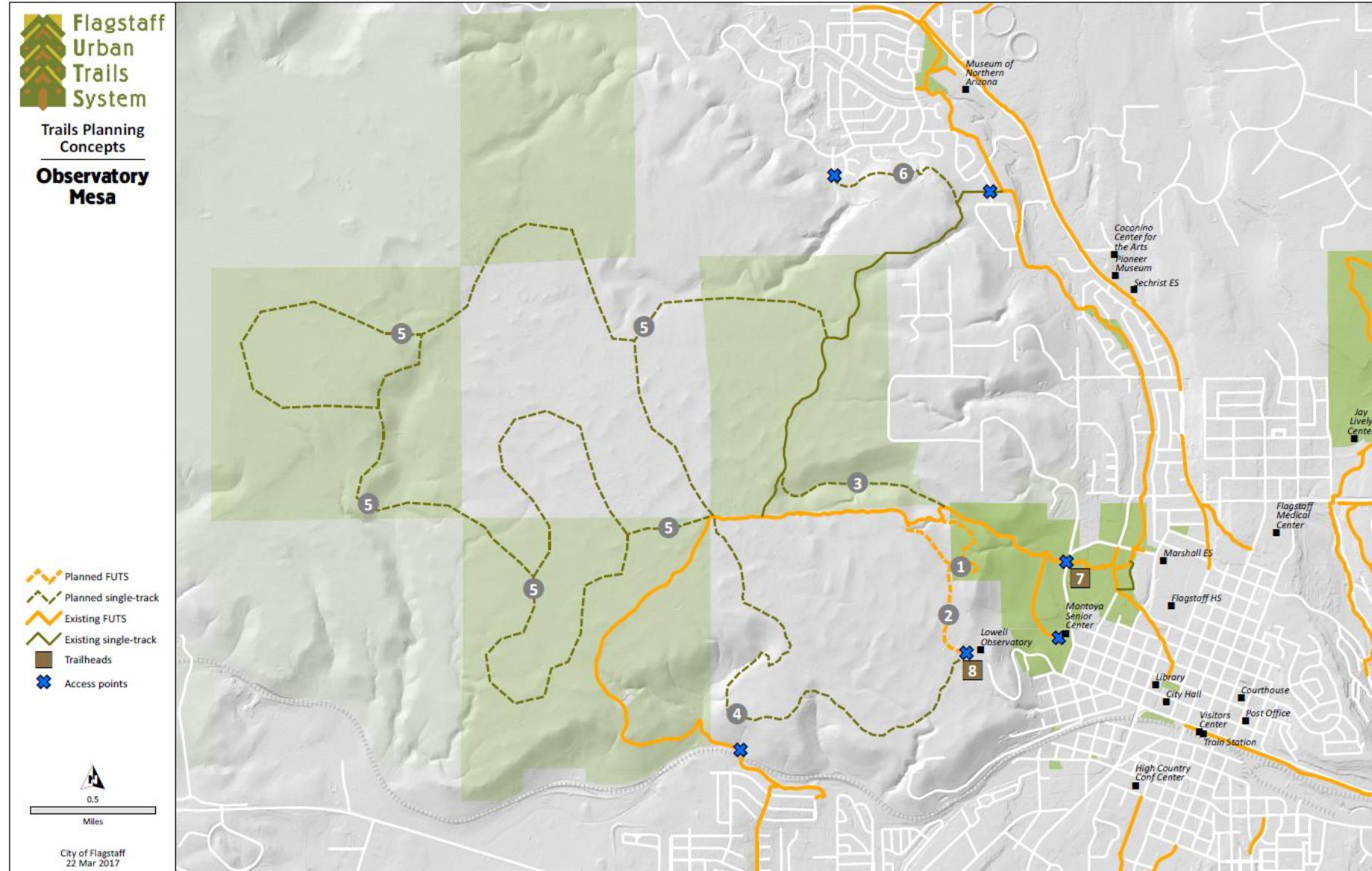


3. Observatory Mesa Trail- \$2.9M



Steps

- FTI/Public Comment
- NEPA analysis
- Cultural Survey
- Permitting
- Concept Design
- Public Comment
- Implementation
 - Access
 - Trails
 - Infrastructure
 - Restoration





Open Space- \$29.5 M



1. Integrated Open Space System - \$24.5 million
2. Conserve and Protect City Owned Open Space - \$ 2.0 million
3. Observatory Mesa Trail System - \$ 2.99 million

Total = \$29.5



Parks and Recreation Recommendations





Parks and Recreation Recommendations



- Girls' softball complex - \$15.5 million
- Outdoor pickleball and tennis (racquet) complex - \$8.5 million
- Multi-purpose fields - \$4 million

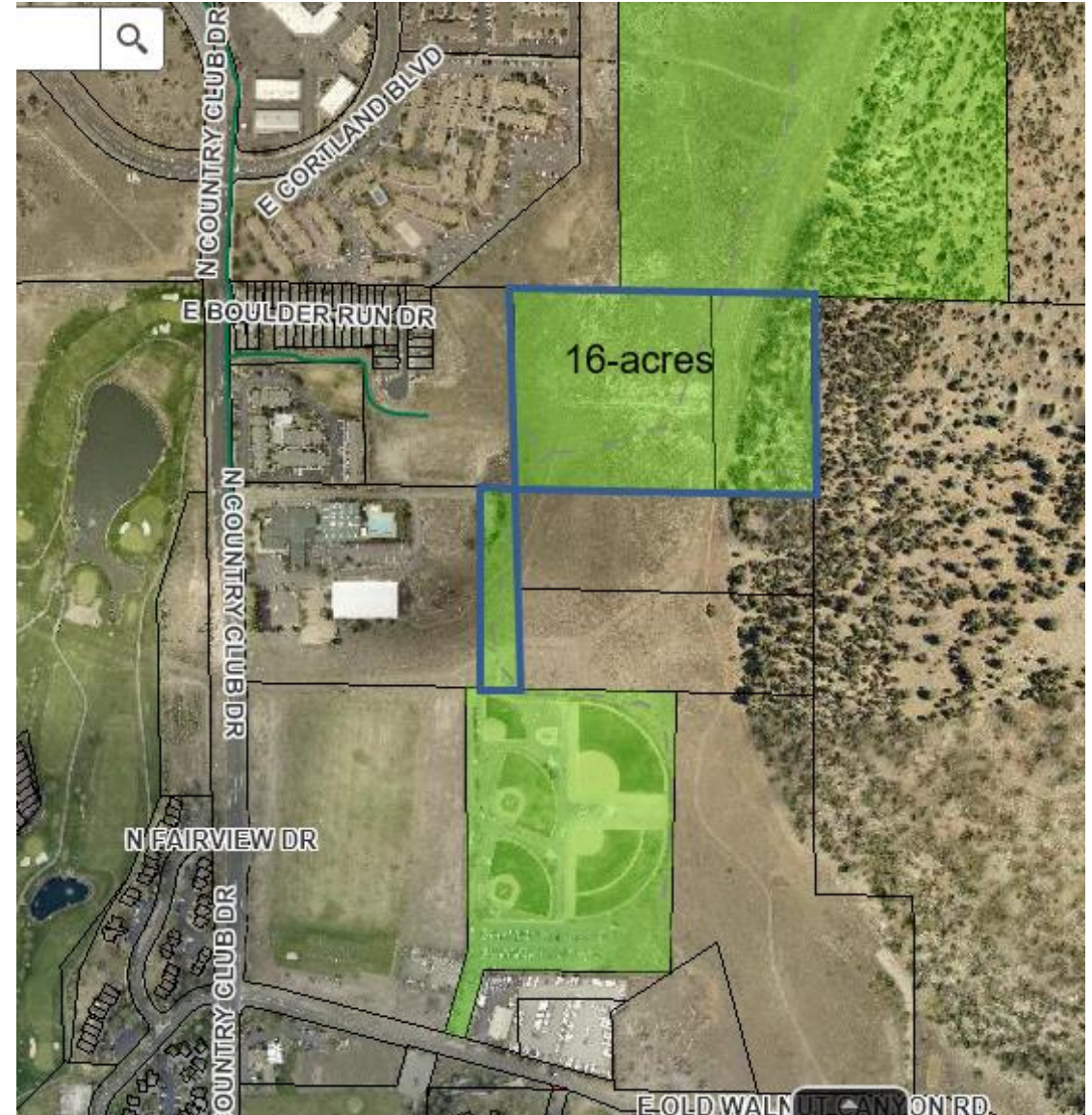




Girls' Softball Complex - \$15.5M



Girls' softball complex to accommodate entire league with multiple ballfields, walkways, and associated amenities within approximately 16 acres of City-owned land. Access from existing Continental Park.





Outdoor Racquet Complex - \$8.5M



An outdoor racquet complex consisting of both pickleball and tennis courts on City-owned land with room for expansion. The complex will include walkways, shade structures, a restroom, parking lot, access from right-of-way and FUTS connection



Multi-Purpose Fields - \$4 M

A multi-purpose field for user groups such as soccer, rugby, football, ultimate frisbee and other sports including walkways, FUTS realignment, and parking lot. Location on City-owned land within the existing Cheshire Park grounds





Where Do We Go From Here?

- Known Gaps and Needs of the Community
- Aggregate \$28 million



Flagstaff Watershed Protection Project Recommendations





Phase III – Mormon Mountain (Lake Mary Watershed)

- Protect green infrastructure components of Flagstaff's water supply by improving forest health
- Maintain Lake Mary water storage, treatment and transport investments
- Avoid catastrophic wildfire impact costs to Lake Mary
 - Minimum of \$20 million
 - Dredge to maintain water storage capacity
 - Reconfigure treatment plant to account for changes to water quality
 - Drill 11 new wells



Public Support

City Surveys:

- 2001-13 (5 surveys)

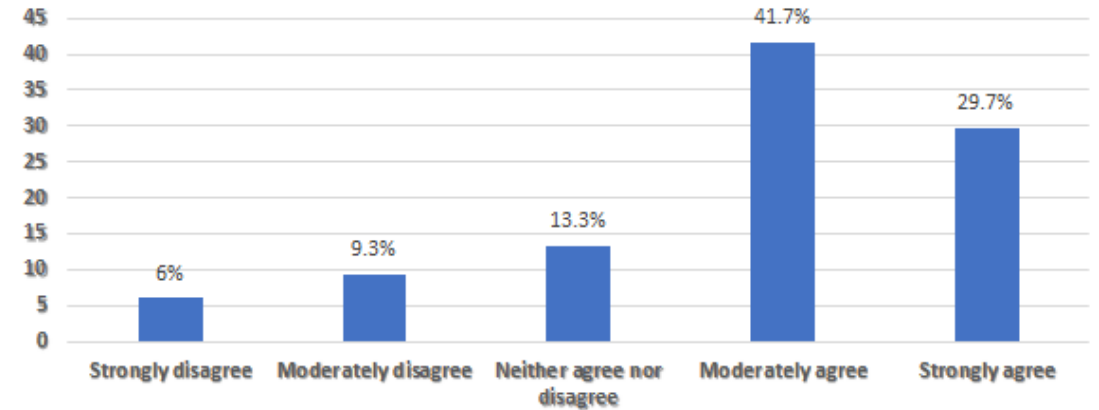
Willingness to Pay:

- 2012: NAU survey (\$4.50/month)
- 2019: TPL Focus Groups (\$50/year)

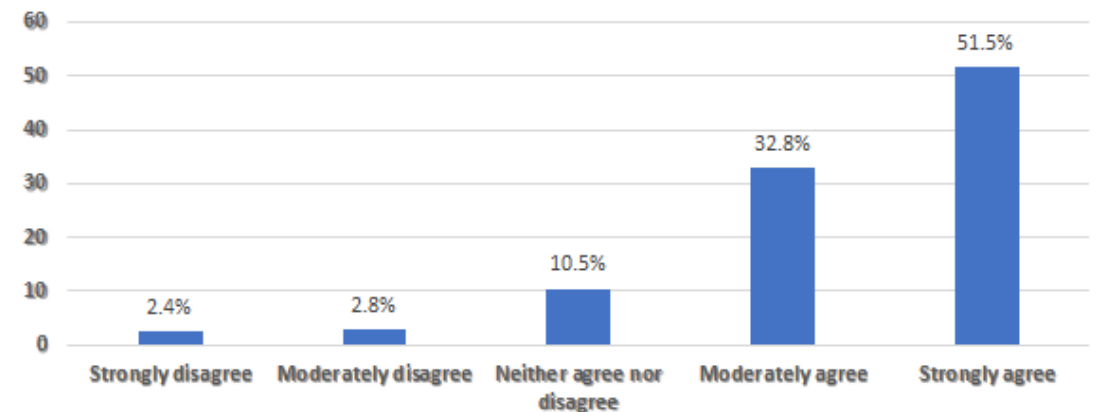
2020 NAU Survey:

- 98% expect a wildfire in city limits
- 53% expect home losses
- 85% expressed protection of forest health as Very Important

Forest management has decreased the likelihood of a wildfire impacting my home



Forest management should be a priority for Flagstaff officials





Recommendation

PROJECT = \$7M Need

- UPDATE - REPI grant opportunity
- FUNDING OPTIONS:
 - Bond Full amount (\$7M)
 - Bond Partial amount (\$4M?)
 - FWPP Leverage history – 1:1
 - Challenge partners to provide match
 - Other – Rates, Fees, Taxes

"No one else is coming to our rescue"
Flagstaff City Manager, 2012



"Water remained difficult to treat for [15 years after](#) the 2002 Hayman fire in Colorado."
The Conversation – Buried in Mud

"In Flagstaff, reality was more important than blame"
AZ Republic, Jan 2013

Unfunded Pension Liability





Unfunded Pension Liability

- Pension Liability is funded at 37.4%
- Amounts and timing of contributions directly impacts funding status
- Growth in Unfunded Liability
 - 2015 - \$ 82,281,627 37.8%
 - 2016 - \$ 92,273,619 37.2%
 - 2017 - \$101,896,300 36.7%
 - 2018 - \$107,720,174 36.7%
 - 2019 - \$111,827,764 37.4%



Pension Bonds

- The City does have authority to issue Pension Bond to pay down unfunded liability
 - Debt is generally secured by Secondary Property Tax or Sales Taxes
 - Both options would require Voter Approval
 - Debt payments Options: Secondary Property Tax, new sales tax, reduction in annual contributions
- Risks to issuing Pension Bonds
 - Actuarial risk
 - Market risk



Pension Bonds

- High level “What If” scenarios

| How much to issue: | Scenario 1 | Scenario 2 | Scenario 3 |
|---------------------------|---------------|---------------|----------------|
| Amount of Bonds Issued | \$ 20,000,000 | \$ 60,000,000 | \$ 112,000,000 |
| Debt Service | \$ 1,340,000 | \$ 4,040,000 | \$ 7,520,000 |
| Funding Ratio | 48% | 71% | 100% |
| Reduction in Contribution | \$ 1,500,000 | \$ 4,600,000 | \$ 8,800,000 |

| How to fund debt payments | Scenario 1 | Scenario 2 | Scenario 3 |
|-----------------------------|--------------|--------------|-------------------------------------|
| Capacity gained from Contr. | \$ 1,340,000 | \$ 4,040,000 | \$ 7,520,000 |
| Secondary Property Tax | \$ 1,340,000 | \$ 4,040,000 | \$ 4,040,000 +\$ 3,480,000 Other |
| Sales Tax Rate | 0.07% | 0.20% | 0.38% |



Pension Bonds

- If we issue Pension Bonds what are your short-term goals?
 - What funding ratio is the target? 36%-100% (80% recommended)
 - What is the dollar value target for the unfunded liability
 - Is the goal to stabilize annual contributions
 - Is the goal to reduce annual contributions
 - Stabilize General Fund expenditures
 - Provide contributions above minimums after bonds
 - Is the goal to reduce fees or taxes



Summary



- Contributing more dollars towards reduces the overall amount of debt
- Uses existing capacity within secondary property tax
 - Or possible sales tax increase
- Potential increased capacity within general fund
- Continue research and discussions with PSPRS and Financial Advisors

Partner Updates





What comes next



- March/April - Contract for election consultant services
- April – June Preliminary Preparation for Public Outreach
- July 7 – Deadline for Council to Call the Election
- July – October Preparation of Final Public Outreach and Presentations to Public
- August Finalization of Publicity Pamphlet for Distribution
- November 3rd Election Day



Council Questions

- Which of the potential ballot measures does Council want to move forward with current capacity?
- Does City Council want to consider additional secondary property tax to build additional capacity?

Summary of Presentations





Potential Ballot Measures

| Potential Ballot Measure for Building Community Together | Estimated Recommendation Cost |
|--|-------------------------------|
| EH1: Eviction Prevention & Rapid Rehousing | \$6,000,000 - \$10,000,000 |
| RH1: Redevelopment of housing owned by City | \$5,000,000 |
| RH2: Create & incentivize development partnerships for the creation of attainable rental housing. | \$1,000,000 - \$3,000,000 |
| RH3: Acquisition of property in partnership with non-profits & private developers for adaptive reuse | \$1,000,000 - \$2,000,000 |
| OWN1: Purchase Assistance program | \$5,000,000 - \$7,000,000 |
| OWN2: Acquisition of land/units for attainable homeownership | \$2,000,000 - \$3,000,000 |
| Integrated Land Acquisition | \$24,500,000 |
| Conserve and Protect | \$2,000,000 |
| Observatory Mesa | \$2,900,000 |
| Girls' Softball Complex | \$15,500,000 |
| Outdoor Racquet Complex | \$8,500,000 |
| Multi-Purpose Fields | \$4,000,000 |
| Phase III Mormon Mountain | \$7,000,000 |
| Unfunded Pension Liability | \$20,000,000 - \$60,000,000 |
| Total | \$104,400,000 - \$154,400,000 |