

MINUTES

1. Call to Order

Mayor Deasy called the Budget Retreat of the Flagstaff City Council held February 1, 2021, to order at 8:30 a.m.

NOTICE OF OPTION TO RECESS INTO EXECUTIVE SESSION

Pursuant to A.R.S. §38-431.02, notice is hereby given to the members of the City Council and to the general public that, at this work session, the City Council may vote to go into executive session, which will not be open to the public, for legal advice and discussion with the City's attorneys for legal advice on any item listed on the following agenda, pursuant to A.R.S. §38-431.03(A)(3).

2. Pledge of Allegiance and Mission Statement

The Council and audience recited the pledge of allegiance and Councilmember Shimoni read the Mission Statement of the City of Flagstaff.

MISSION STATEMENT

The mission of the City of Flagstaff is to protect and enhance the quality of life for all.

3. **ROLL CALL**

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

PRESENT:

ABSENT:

MAYOR DEASY (virtually)
VICE MAYOR DAGGETT (virtually)
COUNCILMEMBER ASLAN (virtually)
COUNCILMEMBER MCCARTHY (virtually)
COUNCILMEMBER SALAS (virtually)
COUNCILMEMBER SHIMONI (virtually)
COUNCILMEMBER SWEET (virtually)

Others present: City Manager Greg Clifton; City Attorney Sterling Solomon.

4. City Council Fiscal Year 2021-22 Budget Retreat

Mr. Clifton opened the meeting and introduced facilitator Julie Lancaster as well as Chris Fabian with Resource X.

Ms. Lancaster provided a welcome and a review of the agenda for the day.

COUNCIL BUDGET RETREAT
WELCOME
AGENDA

Assistant Finance Director Heidi Derryberry continued the presentation.

BUDGET TIMELINE
FY 2021-2022 BUDGET TIMELINE

Mr. Fabian continued the presentation.

PRIORITY BASED BUDGET OVERVIEW
TODAY'S AGENDA
WHAT IS PBB?
LINE ITEM DATA
PROGRAMS ARE A VEHICLE FOR CHANGE
IMPORTANCE OF PROGRAMMATIC DATA
BUILDING BUSINESS INTELLIGENCE (LAYERING DATA)
LINE-ITEM BUSINESS INTELLIGENCE TO PROGRAM/SERVICE BUSINESS
INTELLIGENCE
1. MEASURE INVESTMENT IN KEY COMMUNITY PRIORITIES
2. DATA DRIVEN
3. TRANSPARENT
WHAT ARE YOUR GOALS FOR THE 2021 BUDGET?
LOGIC FRAMEWORK OF PBB
PROFICIENCY AND MASTERY
PROGRAM DATA DRIVEN
RESOURCE REALLOCATION AND MAXIMIZATION
FUEL RESOURCES TOWARDS THE PRIORITIES OF TOMORROW

Management Services Director Rick Tadder continued the presentation.

REVENUE UPDATE
REVENUE UPDATE: GENERAL FUND
GENERAL SALES TAX SUMMARY
STATE SHARED SALES TAX
STATE SHARED URBAN REVENUE (INCOME TAX)
STATE SHARED AUTO LIEU
BUILDING PERMITS
FRANCHISE FEES
GENERAL FUND PROJECTIONS
REVENUE UPDATE: BBB TAX
BED, BOARD AND BEVERAGE (BBB) TAX
REVENUE UPDATE: HURF
FIXED COSTS AND AVAILABLE REVENUES

Mayor Deasy asked if the projections included marijuana revenue. Mr. Tadder stated that they are not included in the revenues at this point. Projections have not been provided by the State yet.

Councilmember Shimoni asked if local retail could be separated from general retail. Mr. Tadder explained that small retail cannot be separated from general retail however, they have heard from economists in Arizona that retail is performing very well even at a local level. People are spending more money on durable goods rather than services like vacations. They are spending money on home improvement type items.

Councilmember Shimoni asked if economists are predicting strong future years. Mr. Tadder explains that the projections he has seen are in the four-year range with 4.5% to 6% growth over the next four years. He indicated that the housing market is driving some of this because there is a lack of inventory which pushes growth in the construction areas that are building to try and meet the demand.

A break was held from 10:24 a.m. through 10:37 a.m.

Finance Director Brandi Suda continued the presentation.

PENSION CONTRIBUTION RATES
PENSION EXPENDITURES
FIXED COST SUMMARY – GENERAL FUND
REVENUE UPDATE SUMMARY – GENERAL FUND

Mr. Tadder continued the presentation.

RECESSION PLAN UPDATE
ECONOMIC RECESSION PLAN UPDATE

Mr. Clifton indicated that the Budget Team has been watching the metrics for the Recession Plan closely and there is now a level of confidence in saying that the City is doing better than we initially thought. He indicated that the organization is ready to emerge from the Significant Stage of the Plan and move into the Moderate Stage. This movement is illustrative of good fiscal policy and good fiscal management.

Council expressed their support for moving to the Moderate Stage and thanked the Budget Team and staff for their foresight in developing a plan, as well as the diligence in implementing the measures within.

Mr. Fabian continued the presentation.

PRIORITY BASED BUDGET DEEP DIVE
LEVEL 1: DATA CREATION AND COMMUNICATION
CITY COUNCIL AGENDA ITEM EXAMPLE
FLAGSTAFF PBB ONLINE PORTAL NAVIGATION

Councilmember Salas asked how indirect costs are accounted for. Mr. Fabian indicated that the costs assigned within the system are made up of both personnel and non-personnel including support services. Mr. Tadder added that indirect costs are calculated each year but are not included in this phase of the PBB model at this time.

A break was held from 12:15 p.m. through 12:30 p.m.

Mr. Fabian continued the presentation.

PBB DEEP DIVE PART 2
HOW TO FRAME NEW BUDGET REQUEST(S)
DEMONSTRATION

Mr. Clifton introduced the next topic stating that many people have been working hard toward the benefit of our community and our employees. Had there not been tools in place like the Recession Plan and dealing with the pension liability the organization would have been in a very different situation. To that end, there is still a lot of work to be done with regard to employee compensation and this portion of the presentation will include recommendations to move in a positive direction.

Human Resources Manager Jennifer Caputo continued the presentation.

COMPENSATION UPDATE
EMPLOYEE SURVEY 2019 RESULTS
2019 OVERALL RESULTS
I EXPECT THAT I WILL STILL BE WORKING FOR THE CITY OF FLAGSTAFF IN 5 YEARS
IF YOU DO NOT ANTICIPATE WORKING FOR THE CITY IN 5 YEARS, PLEASE STATE WHY
I BELIEVE THERE IS A SUCCESSION PLAN IN PLACE AND I WILL BE ABLE TO ADVANCE DURING MY EMPLOYMENT AT THE CITY
WHAT ARE THE INDICATORS THERE IS A SUCCESSION PLAN IN PLACE IN YOUR WORKGROUP?
THE CITY OF FLAGSTAFF PROVIDES EFFECTIVE TRAINING IN AREAS OF NEED
WHAT CITY-SPONSORED TRAININGS WOULD YOU LIKE TO SEE OFFERED IN THE FUTURE?
PROMOTIONS ARE AWARDED FAIRLY
PROMOTION COMMENTS
COMPARED TO OTHERS IN MY LINE OF WORK, I AM PAID FAIRLY
PAID FAIRLY COMMENTS

Human Resources Director Jeannie Gallagher continued the presentation.

2021 COMPENSATION PROGRAM
DEFINITIONS
WHY A COMPENSATION STUDY?
MARKET ANALYSIS HISTORY
PAY RANGE CLASSIFICATIONS
PAY PLAN STRUCTURE
RANGE SPREAD & MID-POINT PROGRESSION ANALYSIS
OPEN RANGE PAY STRUCTURE RECOMMENDATION (DOES NOT INCLUDE FIRE AND POLICE (PUBLIC SAFETY))
REGULAR PAY PLAN (OPEN RANGE) RECOMMENDATION
FIRE AND POLICE (PUBLIC-SAFETY) STEP STRUCTURE RECOMMENDATION
SAMPLE STEP PLAN STRUCTURE
COMPRESSION
COMPRESSION ANALYSIS
IMPLEMENTATION OPTIONS
REGULAR PAY PLAN OPTIONS RECOMMENDED
MOVE TOWARD MID-POINT 2 TIER
MOVE TOWARD MID-POINT 3 TIER
POLICE AND FIRE OPTION RECOMMENDED

IMPLEMENTATION
COMPENSATION STUDY NEXT STEPS
RECOMMENDED SEQUENCE
FUTURE COMPENSATION STRATEGY
THE FUTURE

Councilmember McCarthy asked for some additional information about the different pay structures among employee groups.

Fire Captain Seth Gregor, on behalf of EAC, continued the presentation.

EMPLOYEE ADVISORY COMMITTEE (EAC)
INPUT AND EVALUATION
THREE RECOMMENDATIONS UNANIMOUSLY SUPPORTED

Engineering Project Manager Brian Gall and Water Services Multi-Skill Worker Janice Hakala, on behalf of EAC, continued the presentation.

TWO RECOMMENDATIONS WITH A SPLIT VOTE

Ms. Gallagher continued the presentation.

BENEFITS FY 2021-2022
COUNCIL DIRECTION

Councilmember Salas suggested consideration of a one-time fringe benefit that would cover an employee's increased expenditures from working at home.

Councilmember Aslan expressed appreciation for the presentation and recommendations. He indicated that he trusts the vision and judgement of Mr. Clifton on the matter and he is committed to seeing a compensation plan go forward. He acknowledged the concerns about the unknowns at this stage and feels confident that those will be made clear as the process moves forward.

Councilmember Shimoni shared that he has been sitting in on the EAC meetings for a while and can attest to the passionate and emotional conversations on the topic. He believes that there is an opportunity to course correct and address the challenges that have been before the organization for some time. He too acknowledged the concerns about the unknown, but the sooner employee compensation can be addressed and regularly incorporated into budgeting plans the better.

Vice Mayor Daggett thanked staff for all the work put into researching and discussing the matter to present clear priorities and suggestions to the Council. She expressed support for doing everything possible to bring employee pay up to a level that is much deserved.

Councilmember McCarthy expressed concern about not having a full plan to evaluate but indicated support of the concept of simplifying and having some consistency in the pay plan. He emphasized that it has to be done in a way that is fair to all employees. Funding has to be dedicated to the effort to reduce turnover and increase loyalty in employees.

Councilmember Sweet expressed support for staff and agreed that it is time to move forward with a better plan. It will cost money, but it will be well worth it. Simplifying and establishing consistency is a huge step forward.

Mayor Deasy indicated that he has similar concerns as Councilmember McCarthy but the intent of the plan is to correct inequities and improve morale and he is confident in saying that the organization needs to move forward with the next steps.

Councilmember Salas stated that the number one asset as an organization is the human resource, Team Flagstaff, and she supports the general intent of attaining a pay scale that would be a competitive market rate. In addition to compensation, strengthening avenues for advancement, training, retention, and keeping the workplace safe are of equal importance. She again expressed a desire to offer a one-time allocation to compensate employees for the increased costs associated with working from home.

Ms. Gallagher expressed gratitude to the team for all their hard work in getting the plan to this stage. She indicated that staff would continue working on the plan and working with the Divisions to bring more specific information to the Council.

A break was held from 3:02 p.m. through 3:15 p.m.

Deputy City Manager Shannon Anderson continued the presentation.

NEW REVENUE SOURCES/INCREASES

Mr. Tadder continued the presentation.

SALES TAX

SALES TAX: RECREATIONAL MARIJUANA

Ms. Anderson continued the presentation.

EXCISE TAX: RECREATIONAL MARIJUANA

Economic Vitality Director Heidi Hansen continued the presentation.

SALES TAX: BBB REALLOCATION

Council indicated that they would like to have a future discussion about BBB allocations.

Ms. Anderson continued the presentation.

FEES

Mr. Tadder continued the presentation.

GENERAL OBLIGATION BONDS

GENERAL OBLIGATION BONDS: CAPACITY

GENERAL OBLIGATION BONDS: SUMMARY

Ms. Anderson continued the presentation.

POTENTIAL NEW REVENUE/BOND NEEDS

Councilmember Aslan indicated that he would like to see efforts to provide funding for further implementation of the Climate Action and Adaptation Plan. He also expressed a desire to explore further funding opportunities for housing and alternative response for public safety.

Mr. Tadder concluded the presentation.

COUNCIL FORUM/BUDGET EXPECTATIONS

Mayor Deasy indicated that he would like to see more information related to broadband infrastructure especially as funding is starting to come in from the state and federal government. It will be important to have funding available for matching funds for possible grants. He offered that he would also like to see a dedicated fund for cyber security measures.

Councilmember Shimoni suggested funding Looking Glass Analytics software for the Police Department. He also indicated that he would like to see funding for alternative response management and employment as well as a position for the Public Affairs Section to assist with the website, social media, and video work. His last request was for funding to carrying forward the Black Lived Experience strategic plan.

Councilmember Aslan stated that he would like to see plans from Sustainability and an update on the climate emergency in terms of what they will need to continue working towards carbon neutrality.

Councilmember McCarthy would like to ensure that there is funding for forest health, the climate emergency, and employee compensation. He also expressed an interest in looking at additional staff in Community Development to help with getting zoning changes done more quickly.

Mayor Deasy suggested a Database Administrator for the IT Division. He also expressed a desire for funding for the long term care of the unsheltered population outside of what is currently being done.

Councilmember Salas indicated that her interests focus on attainable housing, parks amenities, fire apparatus equipment, and police and fire safety equipment. She would like to see the City strengthen assistance to social service providers especially those serving vulnerable populations. She would like to strengthen business services with retention, expansion, and attraction. Additional funding is also needed for open space, trails, and dark sky initiatives.

Vice Mayor Daggett stated that she is supportive of what she has heard and that she looks forward to more in depth discussions in April.

Councilmember Sweet added that she would be interested in discussing possible bonding for Flagstaff Shelter Service.

At this time Mayor Deasy took public comment.

Krista Snow addressed Council about the compensation plan. She urged Council to make sure that they fully understand skill-based pay before moving forward with integrating it into the standard pay plan. There was not consensus among the EAC on broadband and skill-based pay and the employees that are in these plans need to be considered.

5. Adjournment

The Budget Retreat of the Flagstaff City Council held February 2, 2021, adjourned at 4:31 p.m.

MAYOR

ATTEST:

CITY CLERK